

# BIRG BIRG BIRG

## BULLETIN 15

BASIC INCOME RESEARCH GROUP

BULLETIN NO 15

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JULY 1992

# BIRG

MEGHMAD DESAI'S BASIC  
INCOME GUARANTEE

MICHEL GENET AND PHILIPPE  
VAN PARIJS PROPOSE A  
EUROGRANT

RONALD PRESTON ON BI AND  
CHRISTIANITY

DEREK HUM AND WAYNE  
SIMPSON EXPLAIN CANADA'S  
DEMOGRANT TRANSFERS

GABRIEL AMITSIS REPORTS FROM  
GREECE

BILL JORDAN ON THE POLITICS OF  
CITIZEN'S INCOME

RIK VAN BERKEL AND THEO HINDRIKS  
REPORT THE REACTIONS OF DUTCH  
CLAIMANTS TO BI

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## BASIC INCOME DEFINED

A Basic Income scheme would phase out as many reliefs and allowances against personal income tax, and as many existing state-financed cash benefits as practicable; and would replace them with a Basic Income (BI) paid automatically to each and every man, woman and child. Basic Income would enhance individual freedom, and would help to prevent poverty, to end the poverty and unemployment traps, to reduce unemployment and to create a less divided society.

## BASIC INCOME RESEARCH GROUP (BIRG)

BIRG was set up in 1984 under the auspices of the National Council for Voluntary Organisations (NCVO), to research all aspects of reform along the lines of a basic income. The association with NCVO continued until 1987, when BIRG became independent. In 1986 BIRG affiliated to the BASIC INCOME EUROPEAN NETWORK (BIEN), which it helped to found. In 1989 BIRG became a registered charity (No 328198).

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## Editorial

One of the many surprising features of the campaign that preceded last April's General Election was the dearth of positive thinking about the continuing problems of unemployment, family breakdown, poverty and social exclusion. A symptomatic response by the Labour Party, in the form of a commitment to increased old age pensions and child benefit, may even have been their undoing, for to finance it they proposed swingeing tax increases on middle management (no new thinking there). By contrast the Liberal Democrats, who included a commitment to Citizen's Income (CI), were much more innovative — but inexplicably, they kept their CI so well hidden that it never entered the debate! Only the Conservatives offered absolutely nothing — and they won.

So in Britain today the only light on the Basic Income (BI) horizon is John Smith's promise of a Labour Party Commission on Social Justice — within which BIRG hopes that Basic Income (or Citizen's Income, as it is increasingly referred to) will be included. In this Bulletin, we therefore include pieces by Meghnad Desai, Kevin Donnelly and Bill Jordan — all arguing the case for BI from a Labour Party standpoint. Lord Desai's approach is a new one. In the past it was always assumed that the BIs would be tax-free, since they would replace income tax allowances. But Lord Desai is proposing a BI that is taxable, and the retention of the personal income tax allowances (though not necessarily the non-personal tax reliefs like mortgage interest and private pensions). More research will be necessary to cost his proposal, and to compare its incentive and distributional effects with those of the more usual sort.

One way or another — notwithstanding the politicians — replacement of the existing tax and benefit systems becomes daily more urgent. In 1991-92, expenditure on social security benefits in the UK amounted to an estimated £65,000 million, and expenditure (in terms of revenue foregone) on the personal income tax allowances and reliefs amounted to another £53,000 million. Add in the £3,600 million cost of benefit administration, and the total cost (omitting some of the tax reliefs included by Lord Desai) verges on £122,000 million — or an astonishing £42 per week for every man, woman and child.

How can so much be spent to so little avail? According to the latest figures, a fifth of men and a third of women reached retirement age in 1991 without entitlement to any state retirement pension. Instead they have to rely either on their spouses, or on Income Support. In Westminster the talk is about cutting costs, yet there are precious few limits on the costs of income tax reliefs — although a tax relief is useless unless you have the money to set against it, so it helps rich people more than poor people.

The cost of administering the benefits system is also becoming absurd. According to the most recent official

estimates, nearly 21% of expenditure on National Insurance unemployment benefit goes on administration, and over 15% of expenditure on Income Support, compared with only 2.2% of expenditure on Child Benefit, which is the nearest existing equivalent to a Basic Income.

Nor are these problems unique to Britain. Throughout Europe there is concern about the New Poverty — and the continuing failure of existing social security systems to find remedies for it. In Brussels the 'in' words are 'Minimum Income' and 'Insertion'. By the first they mean the equivalent of Income Support (means-tested and work-tested), and by the second they mean at best 'workfare' and at worst a requirement that claimants sign a contract (in return for benefit) in which they undertake to improve their behaviour according to the recommendations of their social workers.

Naturally, as Alex de Roo explains in his contribution to **Home and Abroad**, in those countries where even the equivalent of Income Support does not exist, the statutory right to any income at all would be a tremendous advance. But that is no reason for the Commission to preclude discussion of alternative, more advanced options.

In Brussels, Germany's 'Green' MEP, Mrs Birgit Cramon Daiber, tried to get the principle of a Citizen's Income accepted by the European Parliament, but was defeated by coteries of 'experts', who attacked CI without really understanding it (or wanting to understand it). Worse still, as Alex de Roo explains, the Commission and the Council would probably have ridden roughshod over a vote in favour of CI anyway. For the Commission, despite its power and influence, is effectively outside the democratic system. While Members of Parliament in the individual Member States must respond to pressures from their constituents — or risk losing their seats — the bureaucrats in Brussels are virtually unaccountable.

Another forthcoming issue, well set out in the Department of Social Security's Discussion Paper *Options for Equality in State Pension Age* (Cm 1723, December 1991), is equality in state pension age. At present state pension age is 60 for women and 65 for men. The main options canvassed in the paper are equalisation at 63 or 65. In BIRG's response, which we hope to publish, attention is drawn to the differences between equal state pension age and equal treatment. None of the options discussed in the paper would introduce equal treatment, because none of them budges from the contributory principle, or the assumption that a person's income during old age should depend on their labour market record and/or marital status. Yet unemployment, insecurity of employment, and the breakdown of the traditional family, all point in the direction of major change. With the existing system anyone who puts caring for others above making money risks poverty in old age, with the result that pension entitlements are heavily skewed in favour of men. They are also skewed in favour of white-collar workers in jobs they can pursue until retirement. Men in heavy manual work, whose health gives out but who are not sufficiently disabled to qualify for Invalidity Benefit, are unlikely to build up the 44 years of National Insurance

contributions that the law requires. Hence the interest in BI expressed by delegates at BIRG's Construction Industry seminar in Birmingham last Spring (see *Home and Abroad*).

In BIRG's view, an old age pension based on a Residence Test Scheme is a precondition if equality in state pension age is to be combined with equal treatment. It happens in Denmark (see Bulletin No. 9) and it happens in Canada (see Derek Hum and Wayne Simpson in this Bulletin). In this context, equal treatment can be defined as *equal pensions at an equal age for equal residents* — although how many years of residence should qualify for the maximum amount is an open question, on which we would welcome your views. In Denmark it is forty years.

In this edition of the Bulletin, you will notice increased use of the term Citizen's Income (CI). At a meeting of BIRG's Trustees last January, it was decided that Citizen's Income is more meaningful than Basic Income when first encountered. It can also be used to cover a wider range of reform options, for instance the Eurogrant proposed by Michel Genet and Philippe Van Parijs in this Bulletin.

For the present BIRG will continue to be called BIRG, but expect big changes early in 1993.

# Make it big

Meghnad Desai

*For years economists have concentrated on the costs of BI, and the detail of its effects on income distribution. But here is one who recognises that the real challenge is political.*

Fifty years after Beveridge's original proposals, the outlook for any radical reform of our system of entitlements looks bleak. The strategy in such circumstances is not to bend down in the direction of realism and go for the crumbs of the possible, but to be bold and Utopian. The reform proposed has to be simple enough to be understood not only by the voters but by the MPs too. It has to catch the imagination and not get bogged down in details.

In talking to members of the Labour Party, as I often do, I have found that the notion of a Basic Income Guarantee (BIG) attracts tremendous interest. After the 1987 election I put it to many groups and found churlish response only from the Tribune group of MPs. They were worried, already in late 1987, that making proposals like that would be fiscally irresponsible. So boldness must be the answer, as timidity didn't help them either.

I propose that we have a campaign for a taxable BIG of £50 a week for every adult eligible to vote. It should be possible to devise a simple plastic card, as currently used at various cash dispensers, on which the relevant details can be entered. Since eligibility is universal, very few personal details need be entered.

The sum of £50 is based on simplicity rather than any elaborate calculations of the cost of a minimal living standard. It is roughly in line with the State basic pension for a single person, and in today's prices it is believable. It is much more generous than a scheme investigated by Hermione Parker and Holly Sutherland in their *Child Tax Allowances?*,<sup>1</sup> which gave parents and children £11.89 a week. It is, however, much less generous than the £80 proposed by Samuel Brittan in his David Hume Institute pamphlet with Steven Webb entitled *Beyond the Welfare State*.<sup>2</sup>

The virtues of Basic Income need hardly be argued for the readers of this journal. The important point is to be able to launch it across the main political parties, at least two of which are shopping around for ideas for the next election. The merits of universality should attract many. The problem of intra-family poverty that this proposal tackles should attract the women's movement. The basis of entitlement being status as a voter should encourage voter registration.

Cost will no doubt be debated. This is not the occasion, nor am I the expert, to do this. But some pointers may help. If we take there to be about 45 million voters in the country, then the gross expenditure at £2,600 per

person per annum is £117,000 million. No doubt a forbiddingly large sum, but less than twice social security spending at the present. Since the scheme would be assumed to have a 100% take up, all the people in the income tax paying range would be paying at the appropriate marginal rate on this extra £2,600. If we take it that half the recipients fall in this category, of whom 70% pay the basic rate of income tax and 30% pay the higher rate, this brings the net cost to £100,000 million. (These are very rough calculations).

If we think of the philosophy of National Insurance (NI) benefits, it is clear that BIG could be thought of as a universalisation of them, except that the element of *quid pro quo* is gone. Since it has become obvious that NI contribution is just another form of income tax, and bears little relation to the benefits received, it would be possible politically to argue that BIG replaces all the NI benefits. Indeed one could say that by roughly doubling the number of those entitled to NI benefits, BIG is a universal NI benefit. Not quite though, because in extending these entitlements, the costs of BI are roughly three times the costs of all NI benefits.

The extra costs of BIG net of the NI benefits replaced would then be about £65,000 million. Is this a large sum? The sum total of the costs of all tax allowances in 1991-92, as estimated in the Budget Red Book is £57,500 million, *excluding* the £32,400 million of income tax allowances.<sup>3</sup> I leave you to draw your own various conclusions from these numbers.

Lastly, the political grounds for a universal benefit based on voter status has already been prepared in a perverse way by the poll tax. If you can tax every voter regardless of ability to pay, why not have a benefit regardless of any personal circumstances except eligibility to vote?

*Meghnad Desai is Professor of Economics at the London School of Economics, and a Labour peer. He is also a Trustee of the Basic Income Research Group.*

## References

1. Parker, H., and Sutherland, H., *Child Tax Allowances? A comparison of child benefit, child tax reliefs, and basic incomes as instruments of family policy*, STICERD Occasional Paper 16, London School of Economics, 1991.
2. Brittan, S., and Webb, S., *Beyond the Welfare State: An Examination of Basic Income in a Market Economy*, Aberdeen University Press for the David Hume Institute.
3. Financial Statement and Budget Report 1992-93, HM Treasury, March 1992, Table 4B.1.

# Eurogrant

Michel Genet and Philippe Van Parijs

*Introduction of a Basic Income in one Member State of the European Community — without the others following suit — raises problems of equity and economic efficiency, from which the authors conclude that the best way forward may be through introduction of a Euro-BI or Eurogrant, to which all adult residents of the EC would be entitled. The Eurogrant examined here would be funded by an energy tax, the distributional effects of which would be to the advantage of the less prosperous member States. This proposal is of particular interest in view of the European Commission's proposal to cut the use of gas, petrol, coal, electricity and nuclear energy by a tax starting at \$3 (£1.66) per barrel of oil equivalent in 1992, rising to \$10 by the year 2000, with no offsetting BI.*

In June 1985, the Dutch Scientific Council for Government Policy published a controversial report,<sup>1</sup> in which it recommended the introduction of a partial Basic Income — low in value but unconditional and payable to every individual. This BI would have been financed by taxes on value added rather than taxes on wages and salaries, and would have been accompanied by corresponding reductions in existing benefits and post-tax wages. But the Dutch government turned the proposal down, and Prime Minister Ruud Lubbers explained why in a long reply to the Council's report, in which he emphasised the widespread commitment to maintaining the link between incomes and work, and the dangers to the Netherlands (mainly through outward capital flows) of trying to carry out so large an operation in isolation from the rest of the European Community (EC).<sup>2</sup>

If it is true that BI could lead to an exodus of capital from the country that introduced it — which will be more than ever likely once the Single Market is in place — then it is time for BI advocates to start working out detailed proposals for what we shall call a *Eurogrant*, meaning an income granted unconditionally to all permanent residents of the EC, on an individual basis, without means test or work requirement.

Pondering the Dutch debate about BI is only one of many ways in which one's mind can be pointed in the direction of a Eurogrant. Despair at the prospect of ever being able to give substance to the European Social Charter by harmonising the social security systems of its member States; speculation about ways to protect farmers' incomes whilst avoiding the rigidities and excesses of the common agricultural policy; concern for Europe's poorest citizens if a European energy tax were levied at a level that matched the environmental costs of energy consumption; tensions between solidarity and subsidiarity, between inter-state or inter-regional redistribution and the autonomy of member States or

regions in policy areas like health or employment — all these considerations point in the direction of BI, even for people who were not previously interested in it.

In this short article, we shall not try to provide anything like a systematic case for a Eurogrant, nor a costed proposal. Our aim is to get the discussion started, by spelling out a rough scenario, considering some of its implications, and identifying some of the difficulties that must be faced, and solved, if there is to be decisive progress along this route. Some of our calculations are based on rough approximations. But their orders of magnitude are sufficiently accurate to provide a useful point of departure.

## An eco-funded Eurogrant

In our scheme, the Eurogrant, which could be introduced at the same time as the single European currency (as a way of making the latter more popular!) would consist of a small amount of income paid unconditionally to every adult and financed by a uniform, EC-wide tax on energy. More precisely, each person aged 18 or over who is a permanent, legal EC resident (in any of the member States) would receive a grant of exactly 100 ECUs a month (about £17 a week) — regardless of their income from other sources, their family situation, or their ability or willingness to participate in paid work.<sup>3</sup>

This Eurogrant would be financed by a uniform tax on the use of all types of energy, at a level that significantly exceeds current levels of energy taxation in the EC member States.

Why choose an energy tax? A strong negative reason is that any substantial harmonisation of social security contributions or personal income tax is likely to raise formidable political difficulties. A strong positive reason is that political decision makers are becoming increasingly aware of the need for dramatic increases in energy taxes on a European scale, but are held back by fear that a unilateral move in this direction would reduce the competitiveness of the country undertaking it, and by concern for its impact on the living standards of low-income households.

By levying the energy tax on a European scale, and by distributing its proceeds in the form of a Eurogrant, those obstacles would be diminished, if not removed. Moreover the scheme could be perceived, at least roughly, as an attempt to make consumers pay the full cost of the (very unequal) benefits they get out of industrial society, while compensating residents in a uniform fashion for the (roughly equal) nuisances they have to put up with as consequences of industrial society.

## The eco-tax

The tax base would consist of all energy uses of oil, gas, coal and electricity, including nuclear power. Non-energy uses, for example the use of oil as a raw material for the manufacture of plastic, would be excluded, as would coal, gas and oil when used for the production of electricity (to avoid double counting). Such uniform taxation can in principle be designed in either a *multiplicative* or an



additive variant. With the former, the same percentage tax is applied to pre-tax energy prices in each country. The problem is that these vary considerably from one country to another, and the effect of the new tax would be to increase existing price differences and to penalise those countries which, for whatever reason, already have high energy prices. The additive variant solves this problem by imposing the same absolute amount of tax on each unit of each particular type of energy. It is also better able to reflect the social costs of energy production and consumption, since there is no reason for assuming that a unit of energy whose pre-tax price is higher does more damage to the environment.

We therefore opted for the additive variant. We also opted, but only for the sake of simplicity, for a tax that would not differentiate according to the type or source of energy. Electricity, for example, would be taxed at the same rate, whether it was produced in thermic, hydro-electric or nuclear power stations. Whatever the source or type of energy, each *ton-oil-equivalent* (or TOE) corresponding to a calorific value of 41,860 would give rise to the same absolute amount of tax. A more sophisticated scheme could incorporate some degree of differentiation, in order to reflect the social costs more finely. But this refinement, if judged desirable, would not affect the present argument.

How much would each TOE need to be taxed in order to finance the Eurogrant? This can be calculated by multiplying the amount of the Eurogrant by the total EC population over 18, and dividing the resulting figure by total energy consumption (expressed in TOEs). Assuming a Eurogrant of 100 ECUs, the required level of tax becomes 425 ECUs per TOE. Is this a lot? It certainly is by comparison with current levels of energy taxation, which average close to 100 ECUs per TOE, although it looks less formidable if one compares it to some proposals made in 1989 by the European Commission (Table 1).

**Table 1: European Commission proposals for harmonisation of energy taxation, 1989 (ECUs/TOE)**

<i>Type of energy</i>	<i>Tax per TOE (ECUs)</i>
Standard motor spirit	495
Lead-free motor spirit	445
Diesel	270
Gasoil	53
Heavy fuel	18

Source: Centrum voor energie en schone technologie, Delft, 1989<sup>4</sup>

It looks even more sensible when put side by side with the most generous estimates of the environmental costs of different types of energy consumption, made in 1989-90 by groups of European experts (Table 2). This table gives the highest figures proposed by various experts, as monetary expressions of the damage caused by the use of selected types of energy. According to these estimates, *the yield of a tax that exactly captured the estimated social costs of energy would exceed 400 ECUs per TOE and hence would be sufficient to finance a Eurogrant of nearly 100 ECU*<sup>5</sup>.

**Table 2: Estimated social costs of energy consumption, 1988-9 (ECUs/TOE)**

<i>Type of energy</i>	<i>Tax per TOE (ECUs)</i>
Motor spirit	959 <sup>(1)</sup>
Diesel	920 <sup>(1)</sup>
Gasoil	320 <sup>(2)</sup>
Heavy fuel	239 <sup>(2)</sup>
Coal	233 <sup>(3)</sup>
Gas	144 <sup>(3)</sup>
Electricity	431 <sup>(3)</sup>

Sources: (1) Bleijenberg (1989)<sup>6</sup>

(2) Swedish government proposal, quoted in Willems (1990)<sup>7</sup>

(3) Bleijenberg and Bakker (1989)<sup>4</sup>

## Massive international transfers

Look now at the financial effects of our proposal on the populations of the different EC member States. Which nations would gain, and which would lose from introduction of an eco-funded Eurogrant? In Table 3, we start by multiplying the adult population (1) of each member State by the amount each adult would receive in Eurogrant, which gives us the total amount each country would receive in Eurogrant (2). This figure is then compared with each country's contribution to the new energy tax (3), which itself is determined (statistically speaking) by the number of TOEs each country consumes, i.e. by multiplying each country's energy consumption per adult (4) by its total adult population. The difference between each country's net contribution to or net benefit from the proposed scheme appears in column (5). To give a sense of the orders of magnitude involved, these figures are then compared to the net redistributive impact of the existing Regional Development Fund and European Social Fund (6).

**Table 3: International transfers**

<i>Country</i>	<i>Population over 18</i>	<i>Cost of Euro-grant</i>	<i>Yield of energy tax</i>	<i>Energy consumption per adult</i>	<i>Gain + Loss - new system</i>	<i>Gain + Loss - existing system</i>
	<i>thousands</i>	<i>ECUm</i>	<i>ECUm</i>	<i>TOE</i>	<i>ECUm</i>	<i>ECUm</i>
	(1)	(2)	(3)	(4)	(5)	(6)
Belgium	7629	9155	14182	4.4	-5027	-146
Denmark	3988	4786	6255	3.5	-1469	-108
Germany	49613	59536	80077	3.8	-20541	-1612
France	41380	49656	51707	2.9	-2051	-908
Greece	7508	9010	50796	2.3	+3931	+435
Ireland	2354	2824	2218	2.2	+606	+309
Italy	43761	52513	41869	2.3	+10644	+427
Luxembourg	293	351	1118	8.9	-826	-13
Netherlands	11135	13336	17630	3.7	-4294	-269
Portugal	7390	8868	2853	0.9	+6016	+709
Spain	28133	33760	17040	1.4	+16721	+621
UK	43464	52157	55650	3.0	-3491	-284

Sources: Column (1) EUROSTAT, Demographic statistics, 1989

(2), (3) and (5) Genet (1991)<sup>8</sup>

(4) EUROSTAT, Energy, 1988

(6) Genet (1991); and EC Commission *Regional Development Fund in Figures (1988)*, European Social Fund Report (1987)

Gainers from the proposed scheme are of course the countries with below-average per capita energy consumption (Portugal, Spain, Ireland, Greece and Italy, in that order), while losers are the countries with above average energy consumption (Luxembourg, Belgium, Germany, the Netherlands, Denmark, the United Kingdom and France, in that order). The extent of the gains and losses does not perfectly correlate with per capita GNP, because energy consumption is affected by many factors, including industrial structure, climate, energy prices and current energy taxation.

It is worth noting, however, that with the exception of the UK, which is turned from a small gainer into a moderate loser, net beneficiary and net contributor countries are the same as under the current transfer system. The most striking outcome of the comparison is the scale of international redistribution. Thus the total amount transferred from net contributor to net beneficiary countries goes up by a factor of 14 (from ECUs 2,264 million to ECUs 37,918 million), by comparison with existing transfers.

Even with a B1 as low as 100 ECUs a month, European solidarity would therefore be fourteen times stronger than at present via the structural funds — quite apart from the fact that, being fully individualised, the Eurogrant would be far more likely to reach the poorest people in the poorest areas than current subsidies.

## Gains and losses for national budgets

Needless to say, this change in the scale — if not the direction — of international transfers is only one of the immediate effects of the proposed measure. Another effect is the transfer of some tax revenues and some public expenditure from national to EC level. In response to the introduction of an EC energy tax and an EC grant, national governments would presumably give up their own

**Table 4: Net effects of the proposal on national budgets, million ECUs (1987)**

Country	National energy taxes lost	Savings on existing benefit expenditure	Net effect on national budgets	PSBR in 1987
	(1)	(2)	(3)	(4)
Belgium	-2768	+2380	-388	-8835
Denmark	-3614	+1450	-2164	-2192
Germany	-18253	+17503	-750	-17924
France	-19743	+12100	-7644	-15070
Greece	-1682	?	?	?
Ireland	-870	+859	-11	-2280
Italy	-17640	+12899	-4740	-14669
Luxembourg	-163	+85	-79	+11
Netherlands	-4218	+3948	-269	-13808
Portugal	-1375	+1853	+479	-2358*
Spain	-5466	+8909	+3463	-13470**
UK	-13123	+19030	+5909	-7470

Sources: (1) Genet (1991)<sup>8</sup> based on Eurostat 1987

(2) Eurostat 1988, *Social protection expenses and revenues*

(3) = col(2) - col(1)

(4) Eurostat 1989, *Public Administration Accounts and Statistics*

\*1985 \*\* 1986

energy taxes, if only because their retention would raise energy prices far above what is justified by its social (including environmental) costs. In that case they would face revenue losses the scale of which would depend on their current energy tax levels. Table 4 column (1) estimates these losses.

What could national governments do to offset this loss of revenue? One option would be to reduce all existing transfers to adults (e.g. pensions, unemployment benefits, disability allowances and means-tested benefits) by 100 ECUs per adult, and scrap altogether any transfers that amount to less than 100 ECUs. The rationale for this proposal would of course be that, due to introduction of the Eurogrant, the net income (in money terms) of social security recipients would not suffer. Table 4 column (2) estimates the savings that could be made in this way by the various countries, and column (3) the net effects on national budgets of the abolition of national energy taxes plus the proposed reductions in social security benefits<sup>9</sup>. To give a sense of the orders of magnitude involved, Column 4 compares these figures with the then net borrowing requirements.

Our rough estimates suggest that the package, as described so far, could be used by some countries (Spain, Portugal and the UK) to reduce their public sector deficits, but would worsen the public sector finances of other countries (especially France and Italy). In this simple version, however, the package is unacceptable, since it would involve a fall in the real incomes of social security recipients, whose unchanged money incomes would face higher prices, due to replacement of national energy taxes by the higher European tax.

To deal with this problem, national governments might chose to reduce social security benefits by less than the amount of the Eurogrant. In those countries where the current tax on energy is comparatively small, or where energy-intensive goods account for a comparatively large proportion of the consumption of the poorest households, there will therefore be comparatively little leeway for social security cuts. And the smaller the savings made through benefit cuts, the greater the amount of money that will need to be raised through different means (for example, by reducing income tax allowances), in order to make up for the national energy taxes foregone.

Another option would be to reduce all social security benefits by the full 100 ECUs, and try to negotiate a reduction of all wages by a similar amount — thus leaving the net incomes of wage and salary earners roughly unchanged — in order to reduce labour costs and largely offset, on average, the upward pressure on the price level caused by higher energy taxation. The package would then involve a sizeable fall in the relative cost of labour and would result, presumably, in a significant increase in the supply of jobs. But do enough countries possess the institutional instruments and political determination necessary to implement such comprehensive incomes policies?

## Open questions

Our brief exploration raises — and is meant to raise — more questions than it solves. By way of conclusion, here are some questions that we believe deserve urgent attention.



● **Too much redistribution?** Clearly, even a low Eurogrant of £17 a week has considerable redistributive implications between the member States, and this may be more than voters in the loser countries would be willing to pay. Wouldn't the scale of the increase in international transfers be reduced if the Eurogrant were coupled with a realistic diminution of the Common Agricultural Policy? Shouldn't the Eurogrant vary — if only for a transitional period — according to national average incomes or living costs? Remember, also, that the single market unavoidably involves major increases in opportunities for the more dynamic regions, and in the vulnerability of the weaker ones. Isn't a significant and permanent transfer mechanism of the sort we advocate badly needed to alleviate the strains that will otherwise result?

● **Is energy the right tax base?** Even the low Eurogrant proposed here would require an average energy tax of 425 ECUs per TOE. Isn't such high energy taxation bound to produce a fall in energy consumption, and hence an erosion of the Eurogrant tax base? Might it be possible to supplement the energy tax with other taxes, in order not just to preserve the value of the Eurogrant, but also (gradually) to increase it? Moreover, since the population of countries where energy consumption is high didn't choose their climate or even their industrial structure, is it fair to tax energy at so high a rate, in order to finance a Eurogrant? Isn't it wrong to tax the Scots in order to subsidise the Greeks? Or is it enough to answer that it would be worse to shelter people indefinitely against the true costs of their ways of living and producing?

● **Not universal enough?** Since the social costs of energy consumption (acid rain, global warming) are also borne by non-Europeans, why should the Eurogrant be confined to the EC? Is it enough to reply that, although there is no fundamental justification for this restriction, it is hardly a reason for not getting things started here and now?

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# A Christian slant on Basic Income

Ronald Preston

*In this article Canon Preston, who has for some time supported the general idea behind the term Basic Income — referring to it in his book **The Future of Christian Ethics**<sup>1</sup> as a “basic social wage” or a “basic citizen’s wage” — explains why he regards BI as a “secular expression of a fundamental gospel truth”.*

If parts of this article read like a sermon, I suppose that is what it is! But only *one* part of it, for as a social theologian I have to think on three levels:

1. Social economics
2. Christian theology
3. Responsible citizenship

## 1. Social economics: The Protestant work ethic and Basic Income

This level requires an understanding of current economic data in terms of social policy, with special reference to the need to integrate taxation and benefits, and avoid the *poverty trap*. I shall say no more about this, except for one point. I detect in some quarters the idea that modern technology has made the aim of full employment obsolete, so that BI is a way of counteracting, at least partially, the blight on the lives of the unemployed. By full employment I mean not more than 3-4% unemployed, and only temporarily so, as they move to, or are trained for, new jobs. Anything less than 3-4% would mean overfull employment, inflation, and technological stagnation.

Full employment in the sense I have mentioned is a necessary and feasible aim of government macro-economic management. This issue in turn relates to what is often called the *work ethic*, and the passages in my book referred to above are from a chapter called *The End of the Protestant Work Ethic?* (note the question mark). It argued that, as the *sole* public philosophy in this area, the work ethic will not do — we also need an ethic of contemplation and celebration, both being more from the Catholic than the Protestant tradition. It also argued that we are now left with an unpleasant secularised version of the work ethic, which tends to denigrate those who are out of work, and breeds an unhealthy, individualistic acquisitiveness among those in work. Nevertheless there are important elements in the Protestant work ethic, especially those connected with efficient use of relatively scarce resources for the common good, which need to be retained.

## 2. Christian theology: The ethic of unconditional love and Basic Income

My second level of thought examines the bearing of Christian theology on social policy. The heart of the Christian gospel (or *good news*) is that the radical, ethical demand it makes of us is *preceded* by a radical gift. The demand is a radical ethic of love for one's neighbour, with neighbours interpreted in the widest sense. The new element (among traditional ones) in Jesus' ethical teaching

cuts across the everyday ethic of doing good turns to those who do good turns to you, by which societies hold together. This ethic is not, of course, to be despised. If we could not count on most people following it most of the time, it would be difficult to see how human societies could hold together. The hazards of international relations arise precisely because states are less confident that it will hold in their dealings with one another than are individuals within each state.

Jesus says explicitly that an ethic of reciprocity is not enough. Anyone can live on that basis. He taught an ethic of unconditional love and forgiveness. Of course we *hope* it will be reciprocated — but it may not be. If it is not, that makes no difference to the ethical demand. We have to continue even if there are 490 disappointments — that is to say unconditionally.

The reason Jesus gave for this ethic of unconditional love is that this is how God treats us. Jesus was a man of faith. Of course it is possible to read life's evidence differently. It is possible to say that God constantly lets us down, or that God is indifferent to human struggles, or that there is no God. One has to choose whether to read the evidence as Jesus did. If one does so, one sees that the *radical offer precedes the radical demand*.

Life then becomes a joyful response to a disclosure of God's unconditional graciousness. “Freely you have received, freely give”. This means that we do not, indeed cannot, earn our acceptance by God; we receive it. We live knowing that we cannot fall outside the limits of God's love; not even our worst selves can cut us off from him. The effect of trying to earn our acceptance by our actions is to corrupt those actions, and to produce that unpleasant, self-conscious form of goodness which the Scots call the *unco guid*. Freed from the burden of achieving a kind of divine pass mark, we are not daunted by the radical gospel ethic. A vision of God's goodness can lead to a life of an unselfconscious goodness, which if self-consciously pursued is corrupted in the process.

This good news has been constantly corrupted in Christian history, because we all tend to want to fortify our self-esteem by *earning* our acceptance by God, rather than facing the fact that we must receive what we cannot earn. In his day St. Paul had to meet the objection that if what he said about God's forgiveness was true, why should we not sin in order to give more scope for his forgiving graciousness? And there is the story of the cynical Frenchman who, reminded of his sins on his death bed, said: “God will forgive, that is his speciality”.

All this does not mean that we should be under any illusions that we can fully express such a radical ethic. It remains a perpetual challenge. The greatest saints have been those most aware of the gulf in their own lives between what they are called to be and how far they fall short of it. This is still more the case in public policy. If life in the church falls short of it, as it does, because church people are a mixed bag, how much further is this the case in public policy. Here in Britain there is a religiously and ideologically mixed society, made up of citizens of all sorts of religious, agnostic and atheistic beliefs. In such a society, the Christian cannot expect public policy to reflect gospel attitudes. (Indeed it was not possible even in the uniform *Christendom* states of the past). The Christian will nevertheless at least try to prevent public policy from contradicting Christian insights. And this is where Basic Income comes in.

In the nineteenth century, after the impact of modern industrialism had caused the medieval, hierarchical social theory of order and obligation to disappear, society was for the most part thought of as made up of independently contracting individuals. Much time was spent in differen-

tiating between the deserving and undeserving poor. The first should be helped, preferably by voluntary charity, but the condition of the second should be made so uncomfortable that they would have every incentive to get out of it and become deserving.

This century has seen a steady reversal of that view, dating from the Minority Report of the Royal Commission on the Poor Law of 1909. The post-1945 welfare state was an expression of the idea of a return to a state based on citizen status and not contract. It did not, of course embody the idea perfectly, and its implications were not always explicitly realised, but it carried a broad consensus until it came under attack by the New Right in the Thatcher era. That era is now over. Much evidence suggests that it did not carry general conviction, even within the Conservative party, and we are now in a confusing no-man's-land between the former broad consensus and the legacy of those who recently attacked it.

This is a situation in which Basic Income can come into its own. BI applies to all citizens as a matter of status, whether or not they are considered by the authorities to be deserving. Of course responsible citizenship will continue to be encouraged. Of course some will abuse the system and behave irresponsibly, expressing an *entitlement mentality* which expects support from the state, but has no sense of the common good. For there is no social policy, however desirable, that does not produce some undesirable effects. But we do not bother too much about the idle rich, and there seems no reason to be so much bothered about the idle poor. Some may indeed choose to use BI as a basis for life outside the main stream of economic activity (an expression of what I call contemplation); let that be their choice. The upshot will be that Basic Income, or something akin to it, will lead to a more just and humane society.

### 3. Responsible citizenship: Citizens of all religions and Basic Income

Now to my third level of thought. My second level was addressed to Christians, but society cannot be run on purely Christian assumptions. Christians need allies from those of other faiths and philosophies. They need to find out the extent to which adherents of other faiths can find reasons for supporting something like Basic Income within their own traditions. Naturally there is much more to each of them than one particular social policy — but within their overall basic commitment to their faith or ideology many of them may well find grounds as responsible citizens for exerting pressure within the political process for Basic Income.

From the Christian perspective it is important to remember that God is not concerned only with Christians. God has placed us in society cheek by jowl with those of other faiths and philosophies. God's will is for human flourishing. So a key task of Christians is to find out how best to bring this about, in co-operation with others, in the particular time and place in which they find themselves. It is in this perspective that they should consider Basic Income.

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## Demogrant transfer in Canada and the Basic Income standard

Derek Hum and Wayne Simpson

*This overview of Canada's income security programmes concentrates on demogrant transfers that conform in some fashion to the notion of Basic Income (BI). Canada's interest in the guaranteed income concept is described, and also the way in which recent attempts to reform the personal income tax has subtly moved its tax and benefit systems towards a more integrated structure. Certain themes are of particular interest: (1) The extent to which Canada relies on universal demogrants for persons not expected to participate in the labour market (although the 'conditionality' of payments to claimants expected to work is the source of perennial controversy); (2) The importance of inter-governmental grants, and the extent to which provincial social security programmes must conform to conditions laid down by the federal government; (3) The need to view Canada's social programmes in terms of the combined impact of direct (cash) transfers and indirect (income tax) reliefs.*

Canada has a variety of income transfer programmes. Developed over time, in response to changing conditions, Canada's social welfare system mirrors the response by government to the needs of its citizens, due to industrialisation and the decline of traditional institutions of support such as church and family. Major demographic trends have also had an influence, however. As different segments of the population such as families, lone parents, the elderly, the unemployed and the disabled achieved significance in terms of numbers and political visibility, new programmes were introduced to serve them.

The use of *demogrants* (that is to say the practice of identifying a recipient group in terms of some demographic characteristic) is a marked feature of Canada's social safety net. The characteristic in question can be as simple and minimal as mere residency. On the other hand, benefits may be contingent on age, gender, disability or veteran status, or even aboriginal ancestry. The main point is that entitlement depends solely on whether or not an individual belongs to a particular demographic group, and not on income, need, employment status, or the like. If demogrants were paid universally and automatically to all individuals, they would be indistinguishable from the notion of Basic Income (BI).

In 1990, Canada paid out an estimated \$70,000 million in direct financial benefits, with aid to the elderly accounting for one-quarter of this expenditure. Second in terms of magnitude was expenditure on unemployment insurance, a programme aimed at the non-elderly who are temporarily unemployed. Despite these large expenditures, Canada's social security system cannot be examined solely in terms of cash benefits, due to the large numbers of services provided free at the point of

delivery, and social transfers effected through the income tax system.

Medical care is undoubtedly one of the most important and expensive services that citizens typically regard as part of their overall sense of well being. And this service is provided free of charge to all Canadians, who all have access to medical services and hospitalisation privileges on a diagnostically determined basis, without cost or user fees. The funds to finance universal *medicare* come from general provincial tax revenues and inter-governmental transfers.

Social transfers effected through the income tax system include tax credits, exemptions, allowable deductions and other fiscal offsets to income tax. These expenditures are nothing more than *negative taxes*.

## Senior Citizens

Canada has a four-tier system of benefits for its elderly:

- Old Age Security (OAS)
- Canada Pension Plan (CPP)
- Guaranteed Income Supplement (GIS)
- Provincial income supplementation programmes

### Old Age Security and Canada Pension Plan

OAS is a non-contributory demogrant programme, which provides a monthly benefit for all individuals over 65 years of age who meet a residency requirement. OAS is given automatically, regardless of income. OAS amounts are increased annually, are at present (1992) \$374 a month,<sup>1</sup> and are not intended to provide an adequate income for all seniors. Through the CPP, Canada also has a compulsory, earnings-related, contributory pension plan to which all workers must belong. CPP provides each senior citizen upon retirement with a pension based on a formula that takes into account the number of years in the work force and the earnings achieved during that period. In short, CPP benefits are related to life-time earnings, with higher benefits going to those who earned higher wages during their working life. CPP benefits are additional to OAS benefits, they are uprated annually in line with prices, and there is a maximum benefit.

### Guaranteed Income Supplement

If the combined OAS and CPP benefits for a senior citizen are below a certain pre-determined amount, the federal government will grant a Guaranteed Income Supplement (GIS) to bring total income from all sources up to the specified amount. Receipt of the GIS, and the amount of benefit, is therefore conditional on the need of the senior citizen. The assessment unit for receipt of GIS includes the spouse, but not the children. By ensuring that senior citizens receive a total income no less than the GIS threshold, Canada effectively delivers a guaranteed annual income to all seniors.

### Provincial programmes

Individual provinces often implement income supplementation programmes for their own residents. These are typically based on need or low income, but nonetheless add to the three-tier federal system.

Additionally it is not uncommon for provincial programmes to be designed in the form of convertible tax credits — in other words the provincial tax authorities allow senior citizens a credit against their income tax, which is convertible into cash if the citizen does not pay enough income tax to set against it. The terms of the credit might stipulate that the beneficiary lives in a particular setting (say, a remote northern region), or incurs certain medical expenses (such as drugs), or the only condition might be age. Nonetheless, by *refunding* any excess credit to the beneficiary, the tax credit is tantamount to an income transfer, despite the technicality of being delivered through the tax system.

### Tax-assisted savings

Canada's tax system has become a significant vehicle through which assistance is provided to future seniors. Workers in Canada may voluntarily set aside up to 18% of their annual earnings in a special retirement account, or Registered Retirement Savings Plan (RRSP). Canadians who choose to do so are eligible to deduct their RRSP contribution amount from their income taxes. In this way the government encourages tax-assisted saving for retirement by individuals during their working life. Though granted during the pre-retirement years, the RRSP programme is, in effect, a programme which benefits Canada's seniors.

## Families with children

Canada's system of social benefits for children is a complex mixture of universal demogranants (e.g. Family Allowance) and tax credits, some of which are refundable (i.e. convertible) and some non-refundable. Add to these the numerous provincial income supplementation and tax credit programmes, with different eligibility criteria, and it is plain that no easy summary is possible. Despite this, it is fair to conclude that aid to children is based either upon demogranants or upon some measure of low income or need. Importantly, the transfers are rarely conditioned upon the labour-market performance of some adult family member.

### Family allowances

Canada has a long history of providing benefits for children. The *baby bonus* came into effect in 1945, following Prime Minister Mackenzie King's promise to pay every child under 15 years of age a monthly benefit of \$5-\$8. Since then, the *Family Allowance (FA)* programme has remained a popular universal demogrant programme, now covering dependent children up to age 18, with benefits indexed annually to the cost of living. FA benefits are now (1992) \$34.88 per month on average. They are paid to all families, but are subject to a *clawback* tax for higher income families. Since 1973, the federal government permits individual provinces to vary the FA amounts according to the age of the child, or the number of children in the family, or both — but only provided that the total amount distributed corresponds to the overall average benefit throughout Canada. At present, only the provinces of Quebec and Alberta exercise this option. In 1990, about 6.6 million children in 3.7 million families received FA benefits costing more than \$2,600 million in total.



## Convertible tax credits

In 1979 the federal government introduced a *Refundable Child Tax Credit (RCTC)* for low income families. Operating through the income tax system, families compute their income tax liability as usual, but now also subtract the RCTC from taxes due. If the RCTC exceeds the amount of taxes owed to the federal government, the government will give or *refund* this difference to the family. There is even provision to deliver these tax credits several times a year, in advance of tax filing, so that timely aid to low-income families is possible. The parent (usually the mother) or guardian who receives Family Allowances on behalf of a dependent child claims the RCTC, which varies according to the family's income (that is the income of both parents) and the number of children. For example, the maximum benefit payable in 1991 was \$575 per child payable to families having a net income up to \$24,769. The RCTC is reduced by 5% of income above this threshold, in short it is income tested.

## Non-convertible tax credits

In addition to the RCTC, the federal government provides for a non-refundable, flat-rate child tax credit. In 1990, this was \$68 for each of the first and second children, and \$136 for the third and each subsequent child. Previously, the government had allowed families with children to deduct specific amounts per child from their income, with the aim of providing benefits for families with children. However, because Canada's income tax system has progressive rates, families with higher incomes are taxed at a higher tax rate. This also means that families with higher incomes benefit more from child-related deductions than lower-income families. Therefore Canada reformed its tax system in 1988, by replacing the child deduction with a tax credit — in order to provide families of all incomes with the same tax treatment. These tax credits are partially indexed to the cost of living.

## Provincial programmes

Several provinces also offer income supplementation programmes or tax credits. Eligibility conditions obviously vary, since provinces are free to design their own programmes as they see fit. Some provinces restrict benefits to families with an employed worker, others target the benefits according to the presence of children, the use of child-care facilities or high housing costs.

## Canada's demogrants and the basic income standard

In addition to its demogrant programmes for children and the elderly, Canada has income maintenance programmes such as *Unemployment Insurance*, *Workmen's Compensation and Social Assistance*. The important feature of all these programmes is their conditionality — eligibility and benefit amount being determined by tests of need, income, or availability for work. In contrast, the Family Allowance and Old Age Security demogrants are granted automatically to all individuals (not families) under age 18 or over age 65. Furthermore, FA and OAS are given to individuals, whereas Social Assistance is granted to the family unit.

Given the defining characteristics of Basic Income (BI) set out by Parker<sup>2</sup>, it is clear that Canada's FA and OAS demogrants constitute what is termed a *Partial Basic Income*. No wonder, therefore, that many advocates of a *Guaranteed Annual Income (GI)* suggest that the simplest way to implement a GAI for all Canadians is simply to extend the demogrant programmes to include all Canadians between the ages of 18 and 64.

Canada has not chosen to move in this direction. However, its serious interest in the Guaranteed Income idea led it to conduct an elaborate experimental trial of this concept, based on the Negative Income Tax (NIT) approach.<sup>3</sup> In the meantime, its recent reforms to the system of personal income tax — particularly the introduction of refundable tax credits and the promise of more frequent (quarterly) advance delivery of those credits — is effectively moving Canada's tax-transfer system in the direction of an integrated NIT structure. It is easily demonstrated that a system of refundable tax credits is analytically identical to a NIT.<sup>4</sup>

## Conclusion

Canada has an enviable system of social benefits, despite its faults and inconsistencies. At times, Canada seems to favour demogrant techniques — at others it appears to favour non-categorical delivery systems, based upon need or low-income status. From time to time, Canada has self-consciously examined its alternatives with a view to reform, even to the point of seriously considering a Guaranteed Annual Income (GAI) or Negative Income Tax (NIT) for all. So far, these initiatives, including the possibility of BI, await future action.

*Derek Hum and Wayne Simpson are authors of a recent study on Guaranteed Annual Income in Canada, published by the Economic Council of Canada (see below). Both are also professors of economics at the University of Manitoba.*

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# Social security in Greece

Gabriel Amitsis

*Greece has a population of 9½ million people, and a working population of just under 4 million. Agriculture accounts for 25% of economic activity, and self employment is almost as usual as employment. In recent years Greece has experienced the emergence of the same 'new poverty' as the other EC member States, due mainly to unemployment and the problems of groups in the community (pensioners and people with disabilities, lone parents, workers on minimum wages and refugees), who lack the basic means of subsistence. These are problems with which Greece's fragmented social security system is increasingly unable to cope, hence the arguments for radical change. But the case for change, especially its direction, is difficult to make, due to a dearth of statistics, disagreement on the issues between the 'experts', and politicisation of the problems.*

## A time for change?

Recent arguments concerning the need for radical reform of Greece's social security system form part of a much wider debate about the purpose of the welfare state. Due partly to Greece's sharp economic crisis and the consequent, widely discussed need for economic and social reform, the debate tends to focus on the relative merits of neo-liberal versus socialist approaches. But because of the economic crisis (the public sector borrowing requirement is more than 16% of Gross Domestic Product, the rate of inflation is about 15% and the rate of unemployment about 9%), the case for introducing a guaranteed (means-tested) Minimum Income (MI) looks stronger than the case for a guaranteed (universal) Basic Income (BI).

Nor is Greece the only EC Member State affected in this way. In an article for the BIRG Bulletin, Dutch MEP Nel van Dijk wrote:

*For countries like Portugal, Greece and Spain the BI is obviously a model for the distant future. Initially the richer Member States would have to contribute to the financing of a social assistance system in the poorer Member States, before moving on to BI.<sup>1</sup>*

It is nevertheless important not to under-estimate the need for further investigation of the BI concept. The idea of an unconditional guaranteed income, paid by the state to every person as a right of citizenship and financed by a tax on all other income,<sup>2</sup> could become part of the welfare state, and could help achieve implementation of two important basic principles, namely: social solidarity and social justice.

## The Current System

Social policy is an important but under-developed part of Greece's public sector. Its main provisions are limited

to certain categories of the population, and its main branches are:

- Social security (mainly social insurance)
- Social welfare (usually means tested)
- Health care (universal provision since 1983)

The social security system is based largely on social insurance, but also contains features of a broader, more universal nature (e.g. family allowances). It uses a mixture of Bismarckian and Beveridgean principles, and most scholars agree that this co-existence causes a lot of problems — to do with financing (the system is heavily in deficit), and the disappearance of work incentives for certain categories of the insured population.

Nor is there a completely sure safety net of last resort — to protect all Greek citizens in case of need. Social assistance does exist but its benefits are provided by a variety of governmental and non-governmental organisations (including local government and voluntary organisations). Its benefits are nearly always means tested and depend on the discretionary, decision-making powers of the relevant agencies. In other words there is no legal entitlement, as of right, for every citizen or family<sup>3</sup> — even though many scholars argue the case for a comprehensive legal system that would help to settle disputes concerning benefits and services.

As already mentioned, a National Health Service was introduced in 1983, and aims to provide the same standard of health care for all Greek citizens, regardless of their tax, social or work status. At the same time, social insurance schemes provide health care services for contributors and their dependents through public hospitals and registered private hospitals and clinics. Law 1397 of 1983 provides for incorporation of the Health Care funds into the general system, but the necessary regulations have not yet been published, which has resulted in funding problems.

So great are the problems currently facing these three basic sectors of social policy (insurance, assistance and health care) that most of the people involved (political parties, public institutions, pressure groups, academics, independent researchers, private organisations and voluntary or self-help groups) are forced to concentrate their activities on immediate problems of finance — leaving longer-term perspectives, like the introduction of an MI or BI, to one side.

Although there is no needs-tested safety net of last resort, there have been important steps in that direction. These date back to the early 1920s, when plans to develop a national social protection system for all Greek citizens were put forward but never fully accepted. Instead, the most powerful occupational groups supported the creation of categorial social security institutions for the protection of their own members against specified risks like death, old age, invalidity and sickness. For various reasons these proposals were authorised by government, resulting in the present unequal development of Greece's social security systems and the fiscal and ethical crisis of those systems in the 1990s. According to the 1991 Social Budget, Greece has 325 social insurance institutions, each with different administrative and financing structures.

One recent study<sup>4</sup> drew attention to the following characteristics of the Greek social security system:

- **A multiplicity of social insurance schemes:** tending, amongst other things, to strengthen the inequalities between socio-professional groups. In 1991, the Ministry of Health, Welfare and Social Insurance was responsible for the supervision of 28 institutions of main insurance, 54 institutions of auxiliary insurance, 18 health-care funds, 60 assistance funds, and 59 mutual aid societies providing complementary benefits to their members.
- **No unified legal framework** embracing all legally recognised social insurance schemes (cf France's *Code de la Sécurité Sociale* or Germany's *Sozialgesetzbuch*). However the result of two studies conducted under the auspices of the Ministry of Health, Welfare and Social Insurance and the Ministry of National Economy, may be helpful. These reports, which are expected by the end of May 1992, will make detailed proposals for reform of Greece's social insurance system.
- **Lack of coordination:** between central government and the various social insurance organisations.
- **Confusion between social security and social assistance:** resulting in the extended provision of non means-tested minimum pensions through social insurance schemes. These benefits, though based on the contributory principle, do not apply the *reciprocity* principle in its strict sense.
- **Large financial deficits:** due partly to the absence of state intervention in the financing of the system, and partly to anomalies in the structure of social insurance schemes like IKA and OGA.<sup>6</sup> Difficulties include: increasing numbers of old people; mismanagement of social insurance funds; non-payment of social insurance contributions; increased unemployment; and expansion of new and atypical forms of work.

## The Politics of Social Policy

At the international level, most scholars accept that there is no consensus about the best way to reform social security, and this inability to agree at the intellectual level creates many problems — not only do the proposals for Minimum Income and Basic Income lack scientific justification, they also lack political attractiveness.

The argument for introduction of an MI or BI in countries like Greece presupposes reform of the political system, including *changes in some basic characteristics of the relationship between state and civil society ... (and) in income distribution systems.*<sup>7</sup> Above all it must include a recognition that the new poverty and social exclusion may necessitate legal intervention in support of the economic and social integration of under-privileged groups — if only to prevent the development of pressure groups which could endanger the regulative powers of the Social State. Recognition on its own, however, would not be enough — instead it needs to be accompanied either by radical changes to existing institutions (e.g. the labour market, the income-work nexus, the tax system, and the social security system), or by changing the role of government in social policy. Moreover these changes must simultaneously satisfy two conditions: *ethical value* and *economic value*.<sup>8</sup>

## The Debate about poverty

The *alternative* social policy debate in Greece is concerned mainly with poverty. Despite its vague and multi-dimensional character, poverty constitutes a functional instrument that could be used as a main argument for the establishment of MI or BI schemes. Many surveys<sup>9</sup> have tried to quantify relative poverty, but the sharp growth of the black economy, the unwillingness of the government parties to accept the existence of poverty, and the rules governing access to official data, make it extremely difficult to estimate its scale and distribution. Likewise the absence of data on take up of welfare services and on the impact of social security benefits on the living standards of those who are insured makes it difficult to analyse the distributional effects (i.e. who would gain and who would lose) if a national non-contributory basic pension were introduced, although it could reduce the stigma associated with social welfare hand-outs, and improve the living standards of those already insured.

Regarding the economic crisis and the need to cut public expenditure, a major emphasis of government policy is to reduce public sector deficits through privatisation, the reform of tax and social security, and stabilisation of civil servants' salaries. In these circumstances, the idea of introducing new tax burdens to finance MI or BI schemes has little political support, and does not appear to have been seriously considered by any of the political parties. However, this may change in the near future, because of the new poverty, increasing unemployment and the marginalisation of sections of the population.

## The Present Situation

In Greek legal doctrine it is argued that a lot of measures have already been adopted which go some way towards acceptance of the principle of a minimum income.<sup>10</sup> They don't amount to a universal system, and are regulated by different legal provisions:

- **Labour law,** i.e. regulation and implementation of minimum wages and salaries through collective agreements for employees in the private sector.
- **Social security law:** establishment of basic minimum pensions for persons affiliated to a social insurance institution.
- **Social welfare law:** i.e. means-tested, social assistance benefits for specified categories of the population.

The only measure that comes close to BI is the family allowance provided through OGA<sup>6</sup> for large families irrespective of their incomes, and which therefore resemble a partial BI for children.<sup>11</sup> Measures like Negative Income Tax or Social Dividend are not part of the main political or scientific debate, although it is accepted that any income tax reform is bound to affect persons receiving basic minimum pension or means-tested social assistance benefits. Also, there has been one recent study advocating Negative Income Tax.<sup>12</sup>

## An International Approach

A recent enquiry into the legal framework required to establish and develop social security programmes at a national level showed that certain mechanisms of international social security law (*The International Covenant of Economic, Social and Cultural Rights; The European*

*Code of Social Security; The European Social Charter; The 102 ILO Convention*) could be used as interpretative instruments for the legislative establishment of guaranteed MI schemes, through social security or social welfare measures. The question is whether this would also be the case for a partial or transitional BI, and this requires further investigation, at both national and international levels, even if it is limited to study of welfare states in the West.

Any attempt to introduce a BI would form part of a major plan to alleviate poverty and unemployment, and strengthen international solidarity, by facilitating freedom of movement between different regions. In that case, the social policy systems of the different Member States would maintain their different characteristics, but would also be obliged to guarantee a decent basic minimum standard of living for all their citizens.

Whether or not non-nationals should be entitled to the BI would require detailed study, including the question of harmonisation or convergence of national BI schemes — perhaps along the lines of Bernd Schulte's enquiry into the legal aspects of a guaranteed MI at Community level.<sup>13</sup> In this connection it is also worth referring to two other documents, first the European Commission's *Proposal for a Council recommendation on common criteria concerning sufficient resources and social assistance in the social protection systems*,<sup>14</sup> which argues for the recognition of an individual basic right to a guarantee of sufficient benefits and resources; and second the *Report of the Committee on Social Affairs, Employment and the Working Environment on the Commission's draft Council recommendation*,<sup>15</sup> conducted by German MEP Birgit Cramon Daiber. This report states (in Article 87) that the Member States which already possess a minimum social protection system should be encouraged to experiment with reformed systems of the Citizen's Income variety, whereby every individual with a legal right of residence is entitled to protection, irrespective of his availability for work.<sup>16</sup>

## Basic Income in Greece?

Greece is one of the EC Member States that do not provide a guaranteed Minimum Income for people with insufficient means, although rudiments of MI are to be found in social security, social assistance, employment and tax policies. Analysis of these different elements has recently entered the debate about poverty and social exclusion. And this seems to have created the first obstacles against introduction of a BI. For there is no doubt that when a society has to cope with difficult, immediate problems, radical proposals like BI (which provides benefits for rich and poor alike) are neither politically attractive nor economically acceptable.

On the other hand, if BI is ever to be accepted, it has to find not only political but also scientific support. Experience from recent proposals in other countries, e.g. the UK and the Netherlands<sup>17</sup>, shows that the impact of the BI debate on pressure groups and social policy makers is more likely to increase once a guaranteed MI is in place. Future research and analysis should therefore be concentrated on the following:

- Defining Basic Income, and distinguishing between different BI models
- Explaining the basis of entitlement for the BI

- Effects of the BI on existing benefits, including tax reliefs
- Finance and administration
- Labour-market and social effects, including work incentives, the hidden economy and unemployment

All these topics require detailed, multi-dimensional studies, based on critical enquiries into the legal, economic and sociological framework within which the BI would be introduced. The implications of these studies will then have to be taken into consideration for political decision making. In that way the BI concept will soon become part of a broader, socio-political debate, in Greece and in many other European countries as well.

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# The politics of Citizen's Income: A wake and an awakening

Bill Jordan

*On the 9th April 1992 the British electorate took itself and the pollsters by surprise, when it gave the Conservative Party its forth election victory in a row. What are the implications of current politics for Citizen's Income? The answers lie only partly in national politics. Europe's bankers and bureaucrats will need convincing as well.*

## Politics means world politics

Whether they heard the outcome of the General Election with relief or despair, most Britons must surely have felt frustrated by the campaign that preceded it. Not only did the parties choose to adopt negative tactics — their policies too were completely uninspiring. It was as if the Conservatives' promotion of free markets had succeeded in killing not only socialism but politics itself. The Labour Party, having abandoned the project of turning the clock back to 1979, settled for 1989 instead; so the Liberal Democrats, committed to demonstrating their centre-ground reasonableness, were unable to find a space between front runners jockeying for the same territory.

Disillusion with politics and politicians is not, however, a particularly British phenomenon. All over the world, regimes are in trouble and their leaders unpopular — not even in Germany and Japan, the most successful economies, can governments feel secure. In part this can be attributed to globalisation of the world economy. As international economic forces have grown stronger, national states (with regimes of all kinds) have found it harder to protect the jobs and living standards of their citizens.<sup>1</sup> The erosion of welfare states, and the collapse of the Soviet and East European regimes, can be seen as manifestations of this globalisation. In reaction to it — and to the parallel emergence of mass long-term unemployment and excluded underclasses — sinister forms of neo-fascism, and of ethnic and religious partisanship have a growing appeal, in response to which conventional politicians appear impotent.

## A trump card waiting to be played

Advocates of **Citizen's Income** (CI) believe it offers escape from this impasse. Specifically, it offers a chance to combine labour-market flexibility with income security, thereby bridging the chasm that divides the market-minded from the collectivists, and causes them to stalemate each other. That is why one of the biggest disappointments of the British election campaign was the way in which the Liberal Democrats suppressed any

mention of their commitment to CI — although it was in their manifesto. Instead they systematically missed opportunities to introduce it into the unedifying debate (read ritualised dogfight) on the economy, incomes and taxation.

CI advocates, like Britain's opposition parties, have some hard lessons to learn from the election. Politics is changing. Gone are the days of grand strategies, big ideas and heady visions. Instead, we have a largely sham contest between one *market party* and two *state parties*, over policies which, by the standards of the first three-quarters of this century, are barely distinguishable. Desite this theatrical sham, now that Britain is part of the European Community (EC) and Exchange Rate Mechanism (ERM), the real decisions will increasingly be taken by Germany's *Bundesbank* and in Brussels. And these decisions will in turn be determined by international capital flows and world prices. National politics, already atrophied, will increasingly fall apart.

In my view, the real battle over CI will not be fought in old-style party campaigns, but in committee room meetings between Europe's bankers and bureaucrats. The immediate prospects do not look any rosier from Amsterdam (where I spent last winter) than from London. Nevertheless, this shift to the committee room does seem to indicate that a patient and sober advocacy of the CI principle, as a social-engineering solution to a whole range of policy issues (from the incomes of Southern European peasants to the problems of inflation and immigration from Eastern Europe) represents the best hope for the future.

## CI and national politics

There are however, two sets of issues through which CI could appeal to national politicians, because it offers alternatives to the increasingly unattractive measures they have on offer. These issues concern dependency, and the social environment.

## CI and dependency

By dependency I mean firstly the whole range of human situations that are at present grouped together (artificially and misleadingly) as contingencies that trigger entitlement to social benefits and social care; and secondly the very real dependency of children, people with illnesses and handicap, and frail elderly people dependent on others (mainly women) within the family unit.

Largely as a result of administrative rules and categories — themselves the outcome of history — millions of people are classified as retired, unemployed, lone parents, sick, disabled or handicapped, and receive various forms of state benefits and/or services as a result. Worse still, every demographic and economic indicator shows that their numbers will go on rising dramatically into the twenty-first century.

There are important differences between the programmes of the different political groupings regarding the costs associated with these forms of dependency. Market-minded regimes (e.g. the US, UK, Australian and New Zealand governments) seek to minimise the collective costs of dependency by means testing as many benefits and services as is politically feasible; and encouraging (e.g. by tax concessions) higher-income and property-holding citizens to rely on occupational and commercial

schemes. Additionally, they try to deter or reject would-be claimants and service users by strict eligibility tests (work tests and workfare), and by using a rhetoric of family responsibility designed to shame relatives (usually women) into providing informal (i.e. unpaid) care.<sup>2</sup>

Such policies have many disadvantages, and provide an unattractive vision of twenty-first century society. Households with at least one steady job-holder (i.e. someone with a secure, well-paid post) will accumulate property, pensions, savings and other assets, but will have to bear escalating costs of health insurance, private education, and above all social care (often through the woman becoming a full-time, unpaid carer).

Meanwhile, a growing proportion of households will move between reliance on means-tested benefits and services, and irregular, low-paid employment. The state will police this sector with a growing array of officials and experts — assessing, classifying, monitoring and controlling. Far from a withering away of the state, all the signs point to the growth of an all-embracing, Benthamite system, providing dependent individuals with packages of care, treatment or punishment — or driving them into menial, casual employment in ironic imitation of the former Soviet regime.<sup>3</sup> The evidence from American workfare suggests that such a society will not merely be divisive and unjust, but also inefficient, with soaring costs of administration and enforcement.

By contrast the kind of programme favoured by most European governments collectivises a much higher proportion of dependency costs, either through generous earnings-related social insurance benefits (as in Germany) or a mixture of insurance benefits and extensive public sector employment (as in Scandinavia). The German model — with its late entry into the labour market, extensive early retirement, and low participation of women — places heavy work burdens on a dwindling proportion of prime-age male citizens, and gives them disproportionate power in the polity and the household.<sup>4</sup> The Scandinavian model looks increasingly difficult to sustain, as was signalled by the defeat of Sweden's Social Democrats last September. High-wage female employment in social care and the other public services can only be sustained by increasing taxation, and a juggling act involving wage, price and dividend controls.

Both Anglo-Saxon and European programmes are responses to the twin phenomena of industrial automation and the rising relative costs of services. As productivity and salaries rise with new technology, industry in the advanced economies sheds labour, but productivity in the human service occupations cannot keep pace — with the result that wages must either fall to unacceptable levels (as in Britain), or require corporatist inflation (as in Sweden). Workers with low earnings potential are either excluded from the labour market (under various labels of convenience), or condemned to a precarious marginal existence, with irregular work and income.

Today's dependency problem is largely the artificial creation of these relativities in productive capacities, whilst the costs of real dependency (childhood, handicap, extreme old age) still fall unfairly (as they have always done) on unpaid women carers, or on underpaid (mainly women) employees.

The good news is that CI could liberate the wasted potential of this artificially created dependency burden by

enabling people with low earnings potential to participate in the labour market. CI would encourage the development of cooperative social care, and would make possible a fairer sharing of unpaid family care between men and women. By collectivising the subsistence needs of lower-paid workers and those who need care, it would allow many people in dependent categories to re-enter the labour market in service roles, whilst protecting them against exploitation. By giving women and those needing care independent incomes, it would also allow greater flexibility in the giving and receiving of care — real choices between paid and unpaid work for the carers and neutrality of paid care or the intimacy of the family for the cared-for, or some form of co-operative group arrangement for carers and the cared-for. Indeed, it would allow flexible combinations of all these, because both carer and cared-for could negotiate over mutual responsibilities,<sup>5</sup> from positions of relative autonomy.

## CI and the social environment

In recent years, concerns over the global physical environment — ozone layers, rain forests and so forth — have largely displaced concerns over the social environment. The former are international in scope — the latter still demand national responses. In Britain, a decade of Thatcherism has left a derelict physical infrastructure, and an even more devastated civic culture. The enormous precedence given to privately-owned goods — exclusive property — over shared resources has meant that the public sphere has been first devalued and then made almost invisible. What cannot be split up, privatised or exclusively owned becomes a kind of no-man's-land for predation and pollution — because it is no one's responsibility or concern. Economic and contractual relations displace all other forms of association, except for households — there being no such thing as society, only individuals and families. Where once there was a shared environment and a common civic culture, now there is merely a short-cut to the shopping centre by day, and a place to fight or puke by night.

European cities compare favourably with North American and British cities on this count — the social environment is still relatively convivial and harmonious. However, absence of the most sordid dereliction and overt conflict should not be mistaken for a sense of community. In Amsterdam, for instance, I have been struck by an impression of social groups living parallel lives, with deep-seated indifference to each other — a kind of polite *apartheid*. The golden rule is not to look at other people, but to let them get on with their own (often unorthodox) lifestyles.

The debate about citizenship (and no one debates more than the Dutch) tries to revive interest in civic culture and community, but in a clumsy and unconvincing way. In the market-minded version active citizens do good works for the less fortunate in their spare time, while ordinary citizens seek better value from the public services as a *quid pro quo* for their taxes. On the Left, citizenship is still a matter of full employment and public services organised in the interest of their staff. The aim of empowerment for service-users often encounters barriers because professionals cling to status, power and inflexible working patterns.

CI would not address these issues directly, but it would enable a new approach. For by giving income security without enforced idleness, it would allow citizens to be

active in the pursuit of a better quality of life, in neighbourhoods and communities as well as households. The enterprise culture drove energies into the commercial and private spheres (above all, into do-it-yourself home improvements) at the expense of the shared social environment. CI, if combined with policies to encourage cooperation and participation, could restore the balance.

In the next century, quality of life will not be measured by ownership of gadgets, but by social relationships. Neither mainstream political tradition has addressed these urgent questions.

## CI and the common good

At first sight CI seems to encourage the tendency for politicians to look and talk like bank managers (e.g. John Major and John Smith). Perhaps its political implementation depends on convincing anonymous moneymovers that it is a viable form of social engineering. If indeed it were adopted (for instance in the European Community), it might further de-politicise national decision-making, since it would largely dispose of the issues which at present divide the main political parties.

However, one of the advantages of CI could be that it would transform politics and make it interesting again — at a local and regional rather than a national level. Politics should be about a community's attempt to create and sustain a good quality of life. Democratic politics should be about citizens' self-rule — their collective autonomy in determining and maintaining the rules of their shared life, and in distributing the burdens and benefits associated with it.

National politics has long since ceased to be recognisably about any of these things. Instead it has become concerned with bookkeeping, horsetrading and image-building. In a CI society, politics could be rebuilt from the local, grass-roots level, as being the collective activity of sustaining the common good.

Liberal and Marxist visions of future society have one thing in common — the idea that human rights will become increasingly abstract, unconditional, formal and universal, and citizens' obligations towards each other increasingly voluntary, conditional and personal. CI would be a social right on a par (for the first time) with universal civil and political rights. The obligations of citizenship could then be developed in real-life associations, in cooperation with family, neighbours, friends and fellow citizens. Politics would be about what we, in a democratic community, are able to make of ourselves.

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# How claimants react to BI

**Rik van Berkel  
and Theo Hindriks**

*In 1991 Rik van Berkel and Theo Hindriks obtained their doctorates with a thesis on the relations between claimants and the Dutch trade union movements, analysed against the background of modernisation of work-based societies.<sup>1</sup> In this article they argue that claimants are less enthusiastic about BI than some of its advocates expect.*

Social scientists examining the experiences of the unemployed are often struck by the strong adherence of claimants to participation in paid work. Claimants, they therefore conclude, are unlikely to become the vanguard of a movement to remove paid work from its pedestal and introduce a Basic Income (BI). On closer inspection, however, this conclusion turns out to be only part of the story.

In a research project carried out between 1987 and 1991, we investigated the relations between claimants and the Federatie Nederlandse Vakbeweging/FNV (Federation of Dutch Trade Unions), which is the largest Dutch trade union confederation, with responsibility for approximately 200,000 claimants (or 20% of FNV membership). We studied FNV policy documents and day-to-day trade union practices concerning the promotion of claimants' interests. We also analysed the interests, opinions and experiences of claimants in regard to the trade union policies designed to protect their interests.

Our research project was carried out against a background of crisis in western industrial societies. Until recently, these societies were so dominated by paid labour that they could be described as *employment societies*.<sup>2</sup> But recent developments have changed all this by eroding the dominant position of paid labour — for instance by reducing the exclusive role of paid work in integrating individuals into society, and by undermining its significance as a basis for social solidarity, as a guarantor of financial independence and security, and as a platform for increasing prosperity and well-being (Beck<sup>3</sup> and Gorz<sup>4</sup>).

As part of our research project, we interviewed 181 claimants (unemployed, incapacitated and early retired), most of whom were trade union members. From these interviews we concluded that only a few claimants are convinced of the need for radical reform of the employment society, while many more have reservations about it.

The adherence of claimants to paid work is only one possible explanation why they refrain from acting as a *non-class of non-workers*, to use a phrase introduced by André Gorz in his famous book, *Adieux au prolétariat*.<sup>5</sup> By this Gorz meant that those out of paid work, or experiencing work as something over which they have no

control, will not aim at the appropriation of work (as the traditional working class was expected to do) but at its abolition. Nor do they constitute a social class in the traditional meaning of that concept, because they do not take an overall view of history or society.

### **Ambivalent viewpoints**

During our interviews claimants were asked for their views on the future of employment societies in general, and income in particular. We were struck by the ambivalence of their views. For example, they support full employment as a goal, whilst at the same time being sceptical about its feasibility. They support policies to reduce working hours and redistribute paid work, but doubt if those policies will succeed. And they oppose the restrictions on voluntary work imposed by the social security authorities, but also think that action should be taken to prevent paid work from being transformed into unpaid work.

### **BI as a lever for creative thinking**

We also asked our interviewees for their opinions on the introduction of a BI. About 46% turned out to be in favour, although that figure needs to be put into perspective, because, as explained, most of our interviewees were trade union members. Some were active members of the trade union movement, whilst others were participating in interest groups of claimants that are not affiliated to the trade union movement (in the Netherlands a variety of such interest groups exist, for example unions of elderly people, national cooperatives of local and regional groups of incapacitated or unemployed people, and so on). Those who were not active members of claimant groups (FNV or otherwise) were particularly unfamiliar with the idea of BI, so their views on BI should be regarded as tentative. It was nevertheless clear that BI does have a certain appeal to claimants. What interested us most, however, was not so much the number of claimants who supported BI as the socially creative thinking the idea of BI brings about on the one hand, and the barriers preventing claimants from fully supporting BI on the other.

BI schemes encourage new interpretations of the relationships between income and work, new views on the obligation to participate in paid work and on the right to work and an income, and new ways to achieve individual autonomy and economic independence. In other words, BI schemes offer claimants alternative perspectives to think about the future of work and income — perspectives that many of them often lack at present. For many interviewees the idea of separating income and work helped them to imagine a society no longer dominated by paid work.

### **Advantages of BI**

The advantages of BI, as perceived by claimants, are closely connected with the problems they experience in existing employment society. BI might improve the income situation of claimants, it might lead to a reduction in the number of rules with which the existing social security system confronts them, it might increase their autonomy, and decrease their dependence on paid work as the one and only source of income and citizenship. Remarkably, the idea that BI might facilitate a

reevaluation of the different forms of work (paid as well as unpaid) and a revision of the concept of work was barely discussed.

### **Work disincentives and a categorical BI**

Many claimants have a narrow perception of work, in which paid work predominates. They do see a connection between the introduction of BI and the future of paid work, but they made that connection mainly in relation to the disadvantages of BI — focusing on the decreased incentive to do paid work as a result of BI, and in some cases preferring a categorical BI limited to specific groups of claimants, such as the (early) retired, older and long-term unemployed, and invalidity pensioners.

### **Collision course?**

Discussing BI changes people's perspectives on the future of employment societies. It also illustrates the firmly rooted character of their institutions. Put bluntly, as the implications of BI for the position of paid work in society become clearer, the resistance to it increases — so much so that the new security offered by BI and the old security offered by paid work may be on a collision course. Certainly people are hesitant to accept a complete break with the tenets of employment societies. In discussing BI, claimants found themselves forced to reconsider their views on obligations and entitlements — who should do what and who should receive what. From which we concluded that the debate about BI has to be accompanied by a debate about the concept of work.

### **BI in the Netherlands**

Although the Netherlands is famous for its debates on BI, support for it should not be exaggerated. We found most claimants' groups, whether or not affiliated to the trade union movement, reluctant to discuss the pros and cons of BI with their members — the attitude of many trade unions towards BI being hostile. Because of this, the reservations of individual claimants about our employment society are unlikely to penetrate the policies of interest groups. So long as interest groups do not circulate information about the alternatives to employment societies among their members, those alternatives will not attract the confidence of claimants.

For the time being, therefore, the central position of paid work gives claimants more to hold on to than rather abstract ideas such as new concepts of work and BI. Yet by refraining from debating the alternatives to employment society, interest groups are missing opportunities to subject their own policies, and the views of their members, to critical reflection.

### **Claimants should be consulted**

It is often assumed that claimants are one of the groups in society who would benefit from the introduction of a BI. Yet our research showed that claimants, as a group, are not necessarily predisposed in its favour. On the contrary, our research confirmed the results of other investigations, for instance those of Kroft<sup>6</sup> and Jordan<sup>7</sup>, which show that claimants are an extremely mixed group. Diversity exists between categories of claimants



(unemployed, retired, disabled, single parents and others) and within those categories. Some unemployed claimants, for example, look vigorously for paid work, while others treat existing benefits as if they were a kind of BI, by working and claiming at the same time.

Heterogeneity and diversity of conduct, views, interests and attitudes are often said to explain the low level of collective actions by claimants. This diversity is partly due to the different terms on which benefits are provided for different categories of claimant, which themselves reflect the distribution of obligations and entitlement in different parts of the social security system. However, in our view, the acceptance by claimants of the legitimacy of existing obligations and entitlements is as important in understanding their reactions to BI as the distribution system itself.

These results emphasise the importance of preventing the BI debate from being monopolised by intellectuals. Claimants' perceptions of their interests and of the employment society in which they live provide fertile ground for discussing the possibilities (and impossibilities) of different BI options with them.

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## At Home and Abroad

*We rely on readers to keep us informed about events concerning Basic or Citizen's Income world-wide. If you know of something that may be relevant, please write to The Editor, c/o BIRG.*

### European Community (EC)

#### Citizen's Income too radical for the European Parliament

**Alexander de Roo writes:** The UK introduced a national system of social assistance (as opposed to a locally regulated Poor Law) in 1948. Of the Member States of today's European Community (EC) the only country that had already done so was Denmark, whose system of social assistance dates back to 1932. Today in the EC social assistance is increasingly referred to as Minimum Income (MI) or Minimum Income Guarantee (MIG), and needs to be carefully distinguished from Basic Income (BI), Basic Income Guarantee (BIG) and Citizen's Income (CI). MI is means-tested and work-tested, and the assessment unit is the family (sometimes the three-generational family) — whereas BI, is automatic and the assessment unit is the individual.

In the EC there are four Member States (Italy, Spain, Portugal and Greece) which still do not have nationally operated MI systems. This means that in those countries poor people still have to depend on family, friends and charity in order to survive. Even France and Luxembourg only introduced their MI systems in the second half of the 1980s.

MIG legislation in the other eight Member States rests on one basic philosophy, namely that only those people without other means of support and who are willing to participate in the paid labour market should be allowed to benefit from it. In other respects there are big variations between the systems. In Germany, for instance, the benefit amounts have long been based on statistical estimates of the *baskets of goods* considered necessary for survival. In Holland the MI is almost the same as the minimum wage for a person working full time, and in France it is about two-thirds of the minimum wage. The benefit amount for the second adult in a household also varies enormously. In Denmark the second adult gets the same as the first, whereas in Luxembourg s/he gets only 30% of what the first person gets.

One of almost fifty proposals from the European Commission for the Social Dimension of the Internal Market is a recommendation to the Member States to introduce a MIG for citizens of the European Community (COM(91)0106 final). This recommendation effectively concerns only Italy, Spain, Portugal and Greece. Moreover, since the Commission decided that it should only be a recommendation, they are not obliged to introduce legislation for the introduction of a MIG.

After a long political battle the Green Group in the European Parliament was given the right to write the draft

report on this matter, which was prepared by Mrs Birgit Cramon Daiber (German Greens). In her first report, which was adopted by the Committee on Social Affairs in October 1991, we managed to get amendments adopted like the following.

*Member States which already possess a minimum social protection system are encouraged to experiment with reformed systems of the 'citizen's income' type, whereby every individual with a legal right of residence is entitled to protection, irrespective of his availability for work. The arrangements for payment of the benefit must not involve any means test. The purpose of this type of integrated social security and taxation system is to avoid the poverty trap.*

The Social Affairs Committee also asked the European Commission to come forward over the next five years with a Directive based on majority voting in the Council of Ministers, according to the following principles:

- *Universal, individual rights to sufficient financial resources.*
- *Adequate resources, moving progressively upwards from 40% of average disposable income.*
- *The promotion of Citizen's Income type systems in all the Member States.*
- *The introduction of intra-Community financial equalization measures, to support the setting up of such systems.*

These radical demands were voted down in a plenary session of the European Parliament in November. The Spanish and German socialists opposed it, as did the right-wing parties. The Germans calculated that it would require payments of 1,000 DM per adult per month, including rent. And because they have big financial problems since unification, the Social Democrats (SPD) did not want to take responsibility. The Spanish socialists feared they would be asked to introduce such a 40% system in Spain, and thought it too costly as well.

So the report was referred back to the Social Affairs Committee. In February 1982 the Committee held a hearing of 'experts', who were critical of the Report, and eventually the Greens made a compromise with the Christian Democrats and Socialists. All references to the 40% level were deleted, and the unit of assessment was changed to the individual or household. Even the radical amendment introducing the concept of Citizen's Income was watered down, so that it became:

*Member States which already possess a minimum social protection system are encouraged to reform that system in order to do away with the poverty trap. The objectives of this reform will include that of integrating guaranteed minimum incomes and tax systems.*

And elsewhere:

*Developing appropriate provisions to ensure that the starting of insignificant or part-time work does not entail the immediate loss of social assistance, but that help is given to promote gradual integration into working life.*

This modified report was adopted on the 14th May 1992,

almost unanimously, by the European Parliament.

For those who want to know what will happen to this report, the answer is that they must first appreciate the staggering lack of democracy in 'Europe'. The European Commission adopted only a few insignificant amendments by the European Parliament, and the Ministers of the Council of Social Affairs will probably adopt the recommendation in its June session without even referring to the opinion of the European Parliament. The only interesting question will be whether the Social Ministers will approve the proposal that citizens from other EC-Member States obtain the same rights to the MIG as citizens of the Member State in which they are legally resident. In other words, whether a Spaniard living and working in the UK, who loses his livelihood, will have the same right to Income Support as his English neighbour.

*Alexander de Roo works for the Greens in the European Parliament*

## United Kingdom

### 1. BIRG Discussion Groups

**Tony Walter writes:** Over the winter of 1991-92, BIRG arranged four small, early evening discussion groups, held in an informal location in central London. The aim of each discussion was to enable outside experts — different selected individuals for each meeting — to inform BIRG on some of the practicalities that would have to be clarified before any kind of BI could be put into operation. The invitees ranged from refugee and ethnic minority representatives to poverty lobby activists, senior civil servants and bankers.

The four topics were:

- **Delivery of the BIs:** through bank accounts or post offices? How to have simple delivery that reaches everyone, including the homeless?

- **Definition of 'legal residence':** if the BI is to go to all 'legal residents', who exactly constitutes a legal resident?

- **BI and provision in kind:** how would the introduction of a BI affect free school meals, free prescriptions or council housing?

- **Elderly dependents:** how would BI be tied in with extra help for carers and for those they care for?

In each discussion, before considering the implications for BI, factual information about the current benefit system was first elicited from the experts. Each session threw up technical problems that BIRG members had not foreseen, and the series was extremely valuable in highlighting the issues civil servants would have to consider, should they be required to brief Government Ministers interested in introducing BI.

Personally, I found the session on 'residence' the most intriguing. BIRG originally defined BI as a right of citizen-

ship, but anomalies were seen to accrue from restricting it to citizens (not least because the UK has no clear concept of citizenship). Therefore 'residence' came to be deemed a more workable basis of entitlement — hence the discussion group. But when we probed the implications of a residence-based BI for overseas students studying in the UK, migrant workers from Europe, and British citizens who spend part of their retirement abroad, we revealed even more problems with 'residence' than with 'citizenship' — especially if the public are to accept it as a reasonable basis of entitlement to BI. Looks like we'll hear more about citizenship!

The discussion on benefits in kind revealed strong reasons for keeping free school meals and free prescriptions — as part of preventive medicine as well as income support. Likewise there comes a stage beyond which it is more cost effective to invest in subsidised housing than to put means-tested housing benefit into people's pockets.

BIRG is most grateful to Mike Wood and Shela D'Souza for making their apartment available for these sessions.

## 2. Real Freedom for all: Professor Philippe Van Parijs London School of Economics, January 1992.

**Hermione Parker writes:** Philippe Van Parijs, Professor of Social and Economic Ethics at the Catholic University of Louvain, Belgium, was the guest speaker on 15th January at one of STICERD's regular *Economic Justice* seminars. The best interpretation, he said, of the two-fold ideal of equal respect for people's conceptions of the good life and equal concern for people's interests leads automatically to the introduction of a significant BI. The full argument for this thesis will appear in a book he is now completing, called *Real Freedom for All. What (if anything) can justify capitalism?* Key steps in the same argument are also presented in *Equal endowments as undominated diversity* (published by Recherches Economiques de Louvain, Autumn 1990); *Why surfers should be fed* (*Philosophy and Public Affairs*, Spring 1991); and *Basic income capitalism* (*Ethics*, Spring 1992).

## 3. Basic Income Scheme: Feasibility Question in the House of Lords.

**Hermione Parker writes:** The following excerpt from Hansard shows Government continuing to use the alleged cost of a BI 'high enough to eliminate the need for income support', as a pretext for not pursuing the recommendation of the 'Meacher' Committee referred to in Lord Beaumont's Question. One of the flaws in the Government's case is complacency regarding the unemployment trap. If there were only 5,000 people in paid work in 1991 who would have been better off on benefits, compared with 60,000 in 1985, does this not imply that fewer people were prepared to work for no reward in 1991 than in 1985? Yet the Government regard it as a policy achievement! What they should be asking is how many benefit claimants (out of nearly 3 million registered unemployed,  $\frac{3}{4}$  million lone mothers, and nearly 1½ million invalidity pensioners) would be in paid work (either part-time or full-time) if only the system allowed it.

The following is an extract from House of Lords Hansard, 3 February 1992, cc 8-9:

**Lord Beaumont of Whitley** asked Her Majesty's Government:

What progress has been made on the examination of the economic and administrative feasibility of a basic income scheme that was recommended in 1982 by a sub-committee of the House of Commons Treasury Select Committee.

**Lord Brabazon of Tara:** My Lords, the Government have considered a number of such proposals and concluded that to pay a substantial benefit to everyone irrespective of their financial circumstances would involve an unacceptable increase in public expenditure and in the level and burden of taxation on earnings.

**Lord Beaumont of Whitley:** My Lords, is the noble Lord aware that other people have considered the matter and that, for example, the Basic Income Research Group has concluded that:

"Basic Income would enhance individual freedom, and would help to prevent poverty, end the poverty and unemployment traps, reduce unemployment and create a less divided society".

Such a scheme could be introduced by degrees, avoiding excessive expenditure at the beginning. That being so, will the Government consider the matter again?

**Lord Brabazon of Tara:** My Lords, to a great extent the points raised by the noble Lord were addressed by the Government's 1986 Green Paper on the reform of personal taxation and in the reforms which have taken place subsequently. The worst aspect of the poverty trap was removed by the 1988 social security reforms in conjunction with subsequent reforms in the tax and national insurance systems. In 1985 70,000 people faced deductions of more than £1 for each extra £1 earned. Projections for 1991-92 show that nobody is now in that position. The unemployment trap was also minimised by the 1988 reforms. In 1985 about 60,000 people were better off on benefits than in work. Projections for 1991-92 show only about 5,000 people now in that position.

**Lord Stallard:** My Lords, will the noble Lord tell us when the examination took place of a basic income scheme? Where can we find the results?

**Lord Brabazon of Tara:** My Lords, as I have said, the Government's responses to the recommendations are to be found in the 1986 Green Paper on the reform of personal taxation.

**Lord Peston:** My Lords, is not the problem with the basic income scheme that the level is so low that it does not reduce poverty, or so high that it is simply too expensive to finance out of taxation? I believe that that is what the noble Lord said.

Does the noble Lord agree that the present benefit system is so complex that virtually no one understands it? The great advantage of a basic income scheme is that it simplifies matters. If the Government survive, will they consider simplifying social security so that at least some of the people involved understand the system? Alternatively, would they support a new government's thinking along those lines?

**Lord Brabazon of Tara:** My Lords, I do not agree with the noble Lord. The Government have done much to simplify the whole taxation and social security system since 1979. The two examples that I have already outlined on the poverty trap and the unemployment trap are good ...

**Lord Marlesford:** My Lords, does my noble friend agree that these proposals, originally put forward by the late Sir Brandon Rhys Williams — a good friend, much missed by many in your Lordships' House — had the merit of attempting to help those in greatest need? It must be right to move towards the taxation of all social security benefit payments so that the tax on benefit to those who are better off can be used to give greater benefits to those in greater need.

**Lord Brabazon of Tara:** My Lords, I am sure my noble friend is right. However, to go down the road proposed in the Question — to give everyone a basic income high enough to eliminate the need for income support — would be very expensive. In order to finance such a scheme marginal income tax rates would have to be much higher than they are now and that would be bad for work incentives.

**Lord Stoddart of Swindon:** My Lords, does the noble Lord agree that there is a real problem for very poor people. As from December 1991 about 50,000 people on social benefits will be paying a marginal rate

of tax of 90 per cent. Does he agree that that is entirely wrong. Will the Government re-examine the position, with a view to helping that class of people who are at the bottom of the income scale?

**Lord Brabazon of Tara:** My Lords, I believe that the social security system should be aimed at helping exactly the people to whom the noble Lord refers. In an earlier answer I stated that with regard to the poverty trap in 1985 70,000 people faced deductions of more than £1 for each extra pound they earned. Projections for the current year show that no one is now in that position.

**Lord Desai:** My Lords, does the noble Lord agree that although the basic income guarantee scheme may be expensive, the problem of low take-up which currently exists will be much helped if everyone was entitled to an income without having to prove their status.

**Lord Brabazon of Tara:** My Lords, with the criticisms of the scheme that I have put forward, I have answered that question.

#### **4. BIRG West-Midlands, Round-table meeting in Birmingham 13 March 1992: The Construction Industry and Income Support**

**Conall Boyle writes:** The purpose of the meeting was to sound out the construction industry on the possible introduction of a BI. Participants, who included a major employer, a trade union leader and a training board manager, were as follows:

Connal Boyle	Birmingham Poly and BIRG
Tim Cornick	Reading University
Jim Durrant	Head of School of Quantity Surveying, Birmingham Poly
Lol Irwin	Regional Secretary UCATT
Ken Mayhew	National Economic Development Office and Pembroke College Oxford
Hermione Parker	Parliamentary adviser and BIRG
Richard Sapcote	Wm Sapcote & Sons Ltd
David Seymour	School of Civil Engineering, Birmingham University
Andrew Wooton	Area Manager, Construction Industry Training Board (CITB)

The construction industry already exhibits the features of flexible, post-industrial employment practices. Of its million plus workers, most are self-employed or temporarily employed. These people are known as the *variable labour force*. Even the *direct* workers (i.e. those directly employed by the building firms) suffer job insecurity due to fluctuations in building activity.

The nature of the work — physically demanding, at remote locations and in exposed conditions — is often unpleasant. It leads to injury and illness, with few workers staying in the industry beyond age 40. The industry admits to having a poor image and to paying its workers poorly (except in occasional booms). Because of irregular employment, workers have little chance to build up a decent pension entitlement. Moreover, it is not only the manual workers who are affected. In times of slump, as in 1992, unemployment is also high amongst architects and surveyors.

This background, which is widely understood within the industry, was explained at the round-table meeting. But the purpose of the meeting was to discover whether a reform such as BI would be perceived as beneficial to the

industry. For it has been suggested that the BI concept is ideally suited to flexible and varied post-industrial work patterns (for example in James Robertson's book *Future Wealth*, Cassell, 1989).

Given that construction is an industry which has already moved into flexibility, how did its representatives react to the notion of BI?

Their initial reaction was one of ignorance, never having heard of BI before. But when BI was explained to them, the employers reacted by saying that BI would make little difference to them in either a positive or a negative way. For instance, it would not enable them to be more flexible in hiring and firing, because they were completely flexible already. Nor would it make it more difficult to find willing workers, because recruitment was a straight-forward, market-rate transaction.

**The work ethic.** There was little support for two other standard criticisms of BI, namely that it might undermine the work ethic, and that it might lead to the lowering of wages. Regarding the former, the construction industry gets people to work, often in appalling conditions, for little more than they could get on Income Support. The strong desire of many men (the construction industry is over-whelmingly male) to get a job despite poor conditions and poor rewards, would definitely not be undermined by a BI of £13 a week (a possible starting rate in 1991), or even an eventual £31 a week.

**Wages.** Fears about the effects of a BI on wages were not sustained by the participants. Although Union-negotiated wage rates exist, the pay for most jobs is struck on a job-by-job basis, at the going market rate, which itself is determined solely on the balance of supply and demand. Economists may quibble with this conclusion, but it remains broadly true, so long as the numbers employed in construction remain a small proportion of the total employed labour force.

**Security.** There was agreement that the security of a BI would be extremely beneficial to workers in the industry, given their insecurity of employment.

**Dignity.** Although there were no representatives of the great army of transient, temporarily employed construction workers present at the meeting, the participants could readily see how BI could be of benefit in restoring a degree of security and dignity. This in turn could lead to workers who were more confident, which in turn could lead to higher standards of production.

**Training.** It was here that the response was most positive. The difficulties of running training schemes in a low-status industry, with many small firms and sub-contractors, need no explanation. Yet the need for training in an activity so craft-based, manual and variable is absolutely crucial. Even the Tory Government recognised the need for State involvement when it retained the Construction Industry Training Board (which is now the only Board with a statutory training levy). Yet the problems facing trainees (selecting and finding the right course, and finding something to live on) are substantial. A BI, even of £13 a week would give training a welcome boost, because, unlike Income Support, it would stay with its beneficiaries instead of being removed. Delegates were enthusiastic converts to the need for BI to encourage training at all levels.



**Trade Unions.** The trade union view is that the industry is already flexible. Trade unions have difficulty organising in the industry. They see a minimum wage as lifting the floor and eradicating poverty wages. One solution would be a minimum wage plus a BI.

Great sympathy was expressed for the unsung heroes — the workers on site who do the actual work of building. Up early, travelling long distances to wherever the work is to be found; out in all weathers, and always knowing that when the job ends they may be thrown back on a Social Security system that is slow, intrusive and ineffective.

A BI, it was felt, would go some way to giving dignity and security to a group of workers who get little of either.

Thanks are given to all those who participated in the day's proceedings, and to BIRG for funding them.

## **6. Respond!/Workers' Educational Association Conference: A Basic Income for All, 7 May 1992, Stockton-on-Tees, Cleveland**

**Stephen James writes:** The idea of a BI for all citizens is well known and much debated among a relatively small circle of informed and interested people. Such people are deeply concerned about the problems of poverty and unemployment, and the deficiencies of the UK benefit system. Yet if the concept of a decent living income for everyone (and the principles which underlie it) are to have a chance of implementation, BI will require a much wider acceptance. For which purpose, RESPOND'S conference *A Basic Income for All*, held in Norton (near Stockton-on-Tees), provided an ideal forum.

Cleveland, perhaps better known as Teesside, is the North East's smallest and most easily overlooked county. An area traditionally reliant on heavy industry, it exhibits many of the problems of transition. As the formerly dominant industries shrink — and with them the job prospects — new opportunities rarely match the skills, aspirations or sheer numbers of the displaced. Instead, a widening gulf brought on by structural change accompanies the long established privations of many working people in this old industrial district.

RESPOND! is an inter-church project concerned to raise important issues in Cleveland regarding unemployment. It tries to rise to the challenge posed by Cleveland's problems, particularly the frustration and despair, the guilt and loss of self-respect felt by those who are out of work and struggling to survive. Previous RESPOND! workshops and discussion groups had already identified the psychological and material hardships, as well as the very creative activities undertaken by many unemployed people, who learn to tell lies at the Department of Social Security (DSS) — whose officials are bound by law to regard voluntary work as an impediment to being *available for work*, rather than something valuable in its own right. The *Basic Income for All* day represented a natural progression from examination of the problems to a search for solutions.

The conference was a model of participation, opening with general reflections on the problems of long-term

unemployment by some of the participants. Drawn from a variety of backgrounds, a number of people spoke movingly about their experiences of unemployment. This was followed by addresses from the day's keynote speakers. Keith Argyle from Salford Urban Mission spoke on *Basic Income: the Social Context*. Hermione Parker from BIRG spoke on *Basic Income: the Financial Context*.

Keith Argyle reflected on his experiences as a Baptist Minister working in the deprived inner urban area of Salford (see also BIRG Bulletin No.13), and the sense of hopelessness felt by those who have been left behind by Britain's material advance. Those with little or no stake in the growing prosperity, and with only a remote chance of getting a foot on the ladder, form a growing *underclass*, particularly among the young. Not only are they alienated from, and a danger to, the rest of society, they are also a serious threat to themselves through their involvement in crime, drugs and the like.

Keith Argyle's commitment to BI is not, however, founded solely on a desire to redistribute the benefits of economic activity more fairly. He would like to shift the whole value system underlying modern economies to one which values everyone's contribution. For him, BI should provide the necessary security to give people freedom to pursue more fulfilling lives.

Hermione Parker's talk outlined the shortcomings of the UK tax and benefit systems, the impact of the 1988 'reforms', and how a BI system, even a partial one, would iron out some of the current distortions and provide an essential starting point for progress towards a bigger BI. There was, inevitably, a little disappointment amongst some conference attenders that her partial BI schemes, especially the transitional one, were modest in scope. Yet the proposals appeared to meet with almost unanimous support, as an element in a programme to redistribute income and wealth, and re-orientate society away from rampant, shallow materialism.

Such views surfaced particularly in the afternoon sessions, where participants considered the issues, first in small discussion groups and later when they put questions to a panel consisting of the guest speakers and representatives from two of the three main political parties.

Few, if any, words of dissent were spoken against BI. Uppermost in the minds of many contributors was the impression that BI would provide relief from often crushing poverty, and give unemployed people a sense of worth, a feeling that everybody is a valued citizen even if s/he is unable to contribute through the workforce. Important in this respect was the implicit recognition BI would give to those whose role is largely outside the formal economy — mothers (or fathers) bringing up children, voluntary workers and so on.

Other features of BI which found much favour stemmed from its universality. It would remove the stigma and sense of degradation associated with claiming, as well as the wasted hours. Its wider coverage would also reduce the chances of falling through the safety net. What is more, its universality, along with integration of the tax and benefit systems, was seen to offer one of the few practical ways out of the poverty and unemployment traps. People at the edges of the labour market would be encouraged to take on some paid work without

the fear and frustration of losing benefit entitlement. This view was expressed strongly by people who had themselves suffered extended periods of unemployment, and by mothers whose self-esteem had taken a sharp knock, because the current system operates mainly on the assumption that only full-time jobs are worthwhile.

So it was an enlightening day, revealing a predisposition in favour of the philosophy of Citizen's Income, which was not seen simply as an instrument for redistributing income, but as a way of changing the relative values placed on market and non-market (but not leisure) activities. In a world where the market test is all important, this was refreshing. RESPOND! and the BIRG speakers have sown the seeds of interest, and the conference ended with a general resolve to take the message to a wider audience.

Perhaps it is unfair to end on a discordant note, but one thing troubled this writer all day, and that was the largely unspoken assumption that high unemployment is here to stay, and that BI is a necessary mechanism for redistributing the fruits of technological advance to those left unemployed in its wake. I do not share this view. For me, BI must stand or fall on its merits as an instrument for income redistribution, and as a mechanism for dealing with poverty in a society already rent by an inequitable division of income and wealth. Other, more appropriate policies exist for dealing with unemployment — both labour-market and macro-economic ones — although from the standpoint of Cleveland the prospect does indeed look bleak.

*Stephen James is a lecturer at Teesside Polytechnic.* RESPOND! is an ecumenical project established in 1983, as an integral part of Teesside Industrial Mission. Its priority is to wrestle with the issues of unemployment.

## 7. BIRG North-West

**Kevin Donnelly reports:** No doubt that the highlight of BIRG NW so far this year has been the *Introducing Basic Income* seminar at Stockport Town Hall, graced by the Mayor, Councillor Tom Jackson, who chaired the discussion and showed commendable grasp of the issues. Many thanks to him, and also to Peter Fell of Area Services and to the other staff of Stockport MBC for all their help.

BIRG's video made an excellent introduction for newcomers, most of whom spotted the implications for their particular clients: parishioners, the elderly, youngsters looking for work. The work ethic bogey was raised and duly exorcised, although one senior participant remained sniffy. One Liberal Democrat councillor was very keen, unaware that Citizen's Income (CI) was in his party's manifesto. But then BI was mysteriously absent from the hustings (see Bill Jordan elsewhere in this Bulletin).

Earlier that morning Greater Manchester Radio asked me to talk about BI on their breakfast show. The next day saw BIRG North West's workshop in the more familiar setting of Wythenshaw Friends Meeting House. There was some fairly deep Green stuff and a promising start by Josie Crolla and Graham Doherty of Young Christian Workers (YCW). One session of next Autumn's Workshop will be given entirely to Youth Night with YCW. In Manchester there's evidence of teenage youngsters, no longer

protected against low pay, working night shifts for around £1.50 an hour (little more than the cost of a British Rail sandwich).

The present employment situation bears harshly on young people, especially those with few educational qualifications. Even those who do all the things adults tell them to do, who study hard and complete their training or apprenticeships, may find themselves abandoned. Their plight was echoed at the South Manchester Colleges Chaplaincy Council, a voluntary group. The intention is to gain support for BI among the many Further Education (FE) students facing real poverty. But a number of the chaplains are uncertain about their own futures too.

This malaise was reflected at another meeting billed as *Unshackling the Unions*. Many of the contributors admitted a sense of powerlessness in the face of legal restrictions and the ability of employers to demand redundancy for some as a condition of keeping others on. After a strike of some weeks, GEC workers returned to work with little gained. Yet they had enormous support, and received around £50,000 in donations. That sense of belonging is what is needed to win support for BI. Even so the commitment to work-for-wages runs deep, as does the belief in full employment. So there's a long dialogue ahead, although one foreman said he'd thought for years that the unemployed should be given their money and allowed to get on with their lives.

Dr Stephen Watkins of Stockport Health Authority's Department of Public Health Medicine recently ran a seminar on Basic Income and its implications for health (cf the Black report). Well briefed and forceful, Dr Watkins has little time for a low-level BI. Only a much more generous BI (about £75 a week) is really going to make an impact on public health and the quality of life for low-income families.

Also in Stockport, St Winifred's Justice and Peace group hosted a study session on BI. Again the video was extremely valuable, and the participants articulate — representing theological, political and community action viewpoints. Stockport is the place to be, it seems, with signs of convergence among councillors, clergy and political activists.

# Book Review

## TRAPPED IN POVERTY? Labour-market decisions in low-income households

Bill Jordan, Simon James, Helen Kay and Marcus Redley

Routledge, London and New York, 1992, viii + 350 pp, ISBN 0-415-06867-3

Adrian Sinfield writes:

Do the poor want to work? Historians may comment upon the irony that the higher unemployment becomes and the greater the risk of poverty to those still in the labour market, the more the above question seems to dominate policy making. It has happened before in this and other countries, but once again the issue has become particularly topical. Despite the harsh impact of restructuring and the persistence of high levels of unemployment and insecure employment, substantial cuts have been made in the levels of benefits for those on the margins of the labour force, and the cuts have often been justified in terms of how people on low incomes behave. It is, therefore, extremely valuable to have this detailed study of how people in this position perceive the labour market.

The main study consists of a series of interviews carried out from late 1988 in "thirty-six two-parent households with dependent children ... living on an outer-city council estate" in Exeter, "which has one of the highest profiles for social deprivation in southern England" (p.4). Seven lone parents were also interviewed for purposes of comparison (chapter 8). The aim was to look at how people with similar access to the labour market moved between employment, self-employment and unemployment ... to show "how men and women in low-income households with children decide what work to do, at what wages, for what hours and with what prospects" (p.1.).

All but two of the men had experienced unemployment during the 1980s and only twelve were in regular, full-time, long-term jobs. All the rest are described as *irregulars*, moving between temporary jobs, government training and work schemes, self-employment and unemployment. The accounts of their contrasting employment decisions (chapter 4) are followed by those of the women, whose descriptions are dominated by the problems of *fitting in* their (mainly part-time) jobs with what they stress is their primary responsibility for child care (chapter 5). Chapter 6 analyses the joint interviews with both partners, and shows that "joint decision-making concerned issues of expenditure, not employment", which was decided separately (p.6).

In the next chapter these accounts are related to the contrasting theories from economics, sociology and social policy about how poor people take their decisions about work. The authors conclude that discussions and decisions on household expenditure provide the key to labour-market decisions, and a recurrent theme is "the gap between the intimate nature of the phenomena, and the grandiose theories they inspire" (p.301).

The insecurity and unpredictability of an existence on low income emerge particularly strongly from the women's accounts. They bring out much more clearly than the men the disruption, debt and destitution accompanying irregular work, and give "vivid details of what it is like to be caught between unreliable employers and an overstretched benefits system, which is in any case not geared to irregular employment and pay" (pp.165-6). "Their sharpest comments are focused on the fact that a benefit which is supposed to protect people against falling below the poverty line is often delayed, withheld, reduced or deducted from by the authorities, exposing the family to a lower level of income than this official minimum" (p.231). Apart from this, however, although "these people were all poor" (p.9), we are told much less about the nature and extent of their poverty, and how they are trapped, than I had expected.

Much emphasis is placed on the distinction between being in *regular* and *irregular* employment, with some useful accounts from the workers, but no quantitative analysis of the patterns of labour-market experiences. It is clear that some had many years work with the same company, and became *irregulars* after redundancy or illness; others do not seem to have had any regular work; and at least one couple moved from *irregular* into *regular* work, although it was not clear how long this would last. Even though the total group was small, it would have been helpful to have been given an examination of the range and variety of these generally insecure journeys through, and in and out of, the labour market, including the "undeclared cash jobs", which are frequently mentioned, but with little detail of their duration, frequency and return.

Jordan and his colleagues criticise other researchers for speaking about an *employment lottery*, on the grounds that this "would — in [the men's] eyes — discredit the skills and responsibilities that they are displaying as breadwinners" (p.87), but the metaphor seems a valid one for many of the men's accounts. More might have been done to link employment histories more closely to broader changes in the labour market, and to comment more systematically on the ways in which employers were seen as responding to, struggling under and/or exploiting, these changes.

One particular value of the book is the detailed accounts it provides from those who took part in the study. Long extracts of one or more pages of conversations, followed by a reflective discussion of the interpretation, not only give a flavour of the research, but also help to show the ways issues are discussed by the respondents, and how these accounts are analysed by the research team. *Show the workings* seems to have fallen out of fashion in social science publications, and I found the detailed accounts and discussions of how to interpret the evidence interesting and thought-provoking (especially, but by no means only, in the two sections on 'communication, coding and interpreting' and 'the final stage of analysis' in chapter 3).

Given the wealth of data and discussion on very many issues through the volume, it is frustrating that the final chapter does not really provide a conclusion. The last Section *Trapped in poverty? Policy implications*, only begins to raise central theoretical and policy questions in its five pages. It is followed by a 17-page appendix, which provides a somewhat staccato rush through the main tax and social security programmes affecting the

lives of the people interviewed. A better integration of the two could have led to a valuable discussion of the policy issues, which are raised throughout the study. In some respects the first two chapters offer a better summary of the research.

The last two pages of the conclusion contain a brief case for some form of Basic Income as a means of tackling "the particular combination of employment casualisation and benefit system failure" which the interviewees have to endure (p.319). I felt that a particularly good opportunity was lost to provide detailed examples and discussions of the ways in which different forms of BI might affect the incomes and lives of these people. This would have been an excellent additional use of a detailed database, obtained after so much effort. The Exeter team has gone on to carry out a similar study of households on higher incomes, and it may be that later publications could deploy the data in this way. It might help those of us who remain sceptical about some of the arguments for BI schemes, in part because of the *in a bound he was free* school of pleading from some impatient panacea specialists. No one can read this study without realising the complexity and insecurity of the world in which these people live, and the hard impact that quickly imposed changes can have on their lives.

The great strength of this book is the richness of the accounts people give of how and why they act as they do in the labour market. Although it does not focus on unemployment so much as insecurity and disadvantage in the labour market, I thought that it nicely complemented two studies dealing with much large data-sets: Michael White's *Against Unemployment*,<sup>1</sup> and Bill Daniel's *The Unemployed Flow*.<sup>2</sup> All three bring out the importance of the experience of unemployment over time. By this I mean not only the need to consider the duration of any one spell of unemployment, but the extent to which moving in and out of employment is a recurrent experience for many.

The official statistics severely understate both these problems. Unlike some countries, anyone who is unemployed and then returns to unemployment after a spell of sickness or a period on a training or special employment programme, even if it only lasts two weeks, is counted as becoming newly unemployed. Even more seriously, we have no regular data on the extent to which people suffer recurrent unemployment, and even very few special surveys. The three studies make a strong case for better evidence on both these issues, and the related one of movement in and out of the labour force. More data is needed to advance understanding and policy making on the labour market and social security.

So far Routledge has chosen to publish the volume in hardback only – and with a curious utility feel about it, despite the price of £40. A lower priced paperback would help to make the book more accessible, and so enable it to contribute more easily and speedily to a long overdue discussion of labour-market and benefits policies.

*Adrian Sinfield is Professor of Social Policy and Social Work at the University of Edinburgh.*

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## References

1. Daniel, W., W., *The Unemployed Flow*, Policy Studies Institute, London, 1990.
2. White, Michael, *Against Unemployment*, Policy Studies Institute, London, 1991.

# Books and Papers received

*We rely on readers to keep us informed, by sending us research papers and publications on Basic or Citizen's Income (world wide). If you have something you think is relevant, please send a copy to The Editor, c/o BIRG.*

**Why surfers should be fed. The liberal case for an unconditional basic income,** Philippe van Parijs, *Philosophy and Public Affairs* Vol 20, Spring 1991, Princeton University Press, 41 William Street, Princeton NJ (Based on a lecture at Harvard University). A liberal theory of justice is one that combines equal respect for different individuals' conceptions of the good life, with equal concern for their different capacities to attain it. Under present conditions in the advanced industrial countries, this promise must justify an unconditional BI. The argument is not vulnerable to the 'Crazy-Lazy' objection that it would encourage idleness. Nor, in view of job shortages, need the BI be a pittance.

**Basic income: a green strategy for the new Europe,** Philippe van Parijs, in *Green Light on Europe* (Sara Parkin ed.), Heretic Books, 1991, £9.95. This book has contributions from sixteen European countries. Van Parijs' contribution is a plea for the relevance of BI in the political and economic context of contemporary Europe.

**Qu'est-ce qu'une société juste? Introduction à la pratique de la philosophie politique,** Philippe van Parijs, Le Seuil, 27 rue Jacob, F-75005 Paris, 1991. Critical introduction to the question "What is a just society?" An unconditional BI is a central component.

**Capitalisme, Socialisme, Ecologie. Désorientations, Orientations,** André Gorz, Galilée, Paris, 1991. Despite the demise of socialism as a system, as a radical-reformist critique of capitalism it is more alive than ever. It will not vanish until capitalist society takes issues other than money seriously. In this new collection of essays (most of them originally published in German), Gorz develops the theme that "the right to an income can no longer depend on work nor, above all, on the amount of work performed". But he is against an unconditional BI, firstly because it does not guarantee job opportunities for those who wish to be in the labour market, and secondly because it would enable some people to opt out of paid work entirely. He recommends a work condition, the administration of which, he argues, would not be more difficult than existing systems.

**Das Recht auf ein Mindesteinkommen in der Europäischen Gemeinschaft. Nationaler status quo und supranationale initiativen,** Bernd Schulte, *Sozialer Fortschritt* 40(1), 1991. This useful article describes the existing Minimum Income systems in the EC countries, and puts forward criteria for MI standards throughout the EC.

**Il Reddito Minimo Garantito: Il welfare tra nuovi e vecchi diritti,** Maria Luisa Mirabile, Collana Ires, Rome,

1991. Two longish chapters by Maria Luisa Mirabile and Paola Negro (in Italian), followed by a useful bibliography of European contributions to the Basic Income/Minimum Income debate, and an appendix containing the legislative proposals being discussed in Italy in 1991. In her chapter, Maria Luisa Mirabile surveys the European and Italian debates, making a clear distinction between Minimum Income/MI (cf Income Support) and Basic Income/BI. Paola Negro focuses on France's *Revenu Minimum d'Insertion*.

**Just about surviving: Life on Income Support. (1) Quality of life and the impact of local services; (2) Debt and the Social Fund; (3) Work versus benefits. (4) An Asian experience,** Nos (1)-(3) by Ruth Cohen, (4) by Azra Sadiq-Sangster, Family Service Units, 207 Marylebone Road, London NW1 5QP, 1991. Four policy reports describing the experiences of families living on income support, for instance their lack of money to pay for outings, holidays, and school trips; shortages of day care and play facilities; and the lack of advice services, especially for immigrant families with language problems. The FSU is a voluntary organisation, which supports families living in communities in the greatest need.

**The RMI Beneficiaries' Chances of Economic and Social Insertion,** Francoise Euvrard, Jérôme Lion and Serge Paugam, Documents du CERC No. 102, La Documentation Française, 31-37 Quai Voltaire, 75005 Paris, November 1991, (in French and English). France's *Revenu Minimum d'Insertion* became law on 1 December 1988, and the first payments were made early in 1989. By the end of 1991 the number of beneficiaries was 400,000. The paper explains who they are, what practical advantages they have gained, and the impact of the RMI on their future prospects. To help answer these questions, France's *Centre d'Etude des Revenus et des Coûts/CERC* carried out three surveys, which showed that although receipt of the RMI alleviates the financial difficulties of its beneficiaries, their financial situation remains tight, especially for families with children. Application of the *insertion* clause (i.e. the signature of a contract by the claimant and the provision of work or training by the authorities) has proved difficult, despite the small number of eligible families. (Editor's comment: the small number of eligible families is due partly to the efficacy of the rest of France's social security system). Progress of the RMI is important for readers of this Bulletin, due to the current emphasis in the European Community/EC (e.g. in the Maastricht Treaty) on *Minimum Income and Insertion*, as opposed to *Basic Income and Autonomy* (See Alex de Roo in AT HOME AND ABROAD).

**Back to Basics,** Kevin Donnelly, Socialist, 26 February — 10 March 1992. A short piece by Kevin (BI the Best Step Forward) Donnelly along the lines of his Viewpoint contribution to this Bulletin.

**The intensification of Community Efforts in the Fight against Social Exclusion,** paper presented to a European Conference 2-3rd April 1992 *Fighting Exclusion, Promoting Integration*, by a support group of six experts, set up by the European Commission in 1990, Secretariat: CERC, 3 Bvd Latour Maubourg, 75007 Paris. This interesting paper follows a good analysis of exclusion in Europe with recommendations for Community action as follows: (A) Further pursuit and improvement of existing partial initiatives; (B) The exclusion-prevention



dimension to be taken into account in policy making; (C) More emphasis on the social and human, as opposed to economic, aspects of future Community development. No mention of a Citizen's Income. Instead, the French word *insertion* (taken from France's *Revenu Minimum d'Insertion*) is translated as *integration*, although the two concepts could not be less alike. How can you integrate people who are poor into mainstream society by making benefit receipt conditional upon signature of a contract requiring socially approved behaviour? In Britain we passed that stage in 1948 (See Alex de Roo in AT HOME AND ABROAD).

**Un Avenir sans Chômage**, Yoland Bresson, *Le Monde*, 20th November, 1991. Current full employment policies do not fit with highly automated industrial economies. Instead, governments should restructure their income distribution systems. Drawing on his earlier work, Bresson argues for an unconditional *existence income* based on a measure of *time value* instead of labour value. Wage income would then become a freely chosen supplement, and the word unemployment would disappear.

**Basic Income and Socialism**, Bill Jordan, in *CATALYST* 9, Winter 1991/92. In this article, Bill Jordan explains the advantages of BI as "an alternative and radical collectivist project" for the libertarian Left. At a time when the Left lacks a credible economic programme capable of reconciling equality, individual freedom, universal opportunities for social participation and ecological sustainability, the principle of BI offers a fresh starting point.

**The Moral Foundations of Market Institutions**, John Gray, with commentaries by Chandran Kukathas, Patrick Minford and Raymond Plant, Institute of Economic Affairs, 2 Lord North Street, London SW1, 1992, price £7.95, 142 pp. An examination of the moral legitimacy of the market economy, in which the Oxford philosopher John Gray takes the autonomy of individuals to be part authors of their own lives as one of the core values of a free society, and while supporting the liberating and wealth-creating powers of the market, argues the case for bolstering individual autonomy by meeting their 'satisfiable' basic needs. At which point the other writers chip in with their criticisms.

**Income and health**, Allison Quick and Richard Wilkinson, Socialist Health Association, 195 Walworth Road, London SE17, 1991, price £3.50, 79 pp. In richer societies, the key to improved standards of health (and the reduction of health inequalities) is to reduce income inequalities. In their analysis of how governments can reduce income differences the authors give a careful and positive explanation of Basic Income, which they think could have beneficial effects on health by enhancing security and self-esteem. This study is one of a major 1991 series on social policy and health. Other titles are: *Unequal Risks: Accidents and Social Policy*; *Food for Wealth or Health: Equal Shares in Caring*; and *Healthy Change*.

**Religion and the Ambiguities of Capitalism**, Ronald H. Preston, SCM Press Ltd, 26-30 Tootenham Road, London N1 4BZ, 1991, price £12.50. In his latest book Professor Preston (see also *A Christian Slant on Basic Income* elsewhere in this Bulletin) uses his knowledge of economics and theology to clear up some important misconceptions, including the historical origins and fallacies of *Social Credit*.

**Dependency Culture: The Explosion of a Myth**, Hartley Dean and Peter Taylor-Gooby, Harvester Wheatsheaf, 1992, price £11.99. Like Bill Jordan and colleagues, whose book *Trapped in Poverty?* is reviewed elsewhere in this Bulletin, Peter Taylor-Gooby and Hartley Dean support their study of Britain's so-called 'dependency culture' with data from "the largest empirical study of dependency available to date", using the 1989 British Social Attitudes survey, and 85 in-depth interviews with social security benefit recipients of working age. Reforms of the British social security system introduced in the 1980s are found to have been "crassly insensitive to the nature of social change, popular expectations and the objective needs of claimants". Moreover "the issue at the heart of social security reform is not dependency and the dependency culture, but power and the technology of power over life". Basic Income is referred to, and there is a longish critique of Bill Jordan's books *The State: Authority and Autonomy* (Blackwell 1985) and *Rethinking Welfare* (Blackwell 1987).

**Newsletter of the Basic Income European Network, No 13, May 1992**. Published three times a year, twelve pages of information about past and future events and publications relevant to BI. For further information contact Walter Van Trier (BIEN Secretary), Bosduifstraat 21, B-2018 Antwerp, Belgium.

**A way out of the benefits trap**, Christian Wolmar, *Independent*, 13th May 92. From this article it looks as though the 1980s buzz word *integration* may re-surface as part of John Smith's proposed Commission on Social Justice. The difficulty is to define integration. What exactly does it mean? Does it mean the glorified means-tested benefit proposals of the Institute for Fiscal Studies in the mid-eighties (as Christian Wolmar seems to assume) or does it mean a Basic Income which treats everybody alike, whether they are married or single, taxpayers or beneficiaries?

## VIDEO: Basic Income

### A ten-minute introduction

BIRG's lively new video is intended as a discussion starter. Presented by Jenni Murray (of "Woman's Hour"), it shows the reactions to BI of a young man who is unemployed, a lone mother, a woman with disabilities and a pensioner. Includes comments by Evelyn McEwen, Christopher Monckton, Hermione Parker, Malcolm Torry and Sir Ralf Dahrendorf. It is ideal for discussion groups, courses and anyone interested in tax and benefit reform. Made for BIRG by Laurie Wiseman Productions. Price £6.00 + £1.00 postage. Information pack included.

# Viewpoint

## LEFT OUT? The Labour party and Basic Income?

**Kevin Donnelly**

In 1987 Labour promised a million new jobs in two years, but the electorate didn't buy it. Nothing was said about wage rates, nor was anything said about the unemployed who wouldn't be getting one of the new jobs.

In 1992 Labour promised a statutory minimum wage of £3.40 an hour. That's £136.00 for a 40 hour week. It's not lucrative, and less so for the many low paid who work fewer than 40 hours. Minimum wage is also fraught with problems of enforcement and that curse of the trade union movement, earnings differentials. And once again the electorate didn't buy it.

So what should Labour offer in 1997? More viable than a minimum wage, which is useless to people without a job, is the idea of a Basic Income, which would be payable to every man, woman and child, regardless of whether or not they had a job, and which is increasingly referred to (throughout Europe) as Citizen's Income (CI).

Basic Income is a form of Citizen's Income, financed by an integrated income tax. It is an individual, life-long, universal, unconditional and regular payment, payable irrespective of age, sex, employment or marital status. Naughty Norman Fowler recently described a new means-tested benefit as a Basic Income,<sup>1</sup> but anyone recalling his dismal performance in charge of social security will not be surprised that he's got Basic Income wrong as well.

Samuel Brittan of the Financial Times and Steven Webb of the Institute for Fiscal Studies are also interested, although the BI they have in mind would take the family instead of the individual as the unit of assessment, which raises all sorts of problems of equity and administration.<sup>2</sup> In a recent article in *The Independent*, Christian Wolmar wrote enthusiastically about integration of the tax and benefit systems, but did not quite mention the BI option.<sup>3</sup> Britain's Liberal Democrats have been committed to CI since March 1990, but gave it a surprisingly low profile in their recent election campaign (to the dismay of Bill Jordan elsewhere in this Bulletin).

Now a minimum wage and a BI are compatible,<sup>4</sup> although as a BI supporter I'd argue for the superiority of BI. That's because where a minimum wage is selective (it's only for those in jobs), BI is comprehensive. Everybody gets it, nobody can take it away.

For Labour Party supporters, the socialist nature of the

BI proposal is, I hope, obvious. It is, above everything else, *fair*. It also avoids the endless debate about a fair day's work and a fair day's pay. By separating income from employment (the introduction of free schooling in 1871 was the first notable step in this direction, family allowances and a free National Health Service after World War 2 were two others), it tackles the root causes instead of the symptoms of the poverty and unemployment traps. Instead of losing benefit on return to work, unemployed people would go on receiving their BIs.

BI is also compatible with those market forces which Conservatives emphasise and which are probably inescapable except to the starry-eyed. Under a sympathetic government BI would encourage technological development and sustainable economic growth, even if this meant getting rid of jobs, provided the benefits were shared. Almost certainly this would require higher taxation of value added (not necessarily VAT) as well as an integrated income tax. Hence the imaginative thinking going on to find alternative taxation models. And here the smaller political parties seem to be leading the way.

Obvious questions follow. How much a week would the BI be? Anywhere from the Liberal Democrats' £12.30 to the £100 a week (about one-third of average earnings) called for by the most ambitious. A BI of £12.30 a week is easily affordable, by charging income tax on all incomes above £1,000 a year and deducting the BI amounts from existing benefits. A more generous BI runs into difficulties if income tax has to provide the main funding, although abolition of mortgage interest and private pension income tax reliefs would help significantly.

And the Trade Unions? Given that their role is to defend members' jobs and swell their paypackets, the unions could well oppose BI — in the same way as they originally opposed family allowances and equal pay for women. In view of their declining membership, however, and the pasting they've had from right-wing governments, the bankers and the multi-nationals, they just might take a long, hard look, and see that BI would reinforce the economic security of their members. They could no longer be starved into jobs. Industrial relations would become very different. But they need to move now. In 1991, I wrote personally to forty North-West trade union branches inviting them to discuss BI. Not one replied. At a recent North-West seminar NALGO booked a place, but no one came.

Some European trade unions seem to be more adventurous. In Italy the CGIL (Italy's largest trade union confederation) has been playing a leading role in the debate about Citizen's Income (or Citizen's Wage) since 1988. *We became interested in Basic Income*, says Elio Giovanni (head of CGIL's Economic and Social Research Institute/IRES), *because the values of distributive justice underlying the welfare state seem to have run their course. Since we refuse the idea of a society divided between those who are well-to-do and those who are dispossessed, we are called upon to invent a new social system, where different kinds of work...are accorded equal recognition and worth. We perceive the need for a new concept of social citizenship... In effect, we are talking about a new kind of welfare state.*<sup>5</sup>

Where does that leave Labour? With the need for some quick thinking, I guess, although Lord Desai's Tribune article (20th July, 1991) and his contribution to this Bulletin

are welcome initiatives. The next election may seem far away, but there's no time to dilly-dally, nor to dismiss tax-benefit integration out of hand as the Economic Policy Review Group did at a *Labour Listens* conference in 1988.

So let John Smith include integration on his agenda for change. And let him distinguish very carefully between integration proper, which means treating every man, woman and child as equal citizens, and phoney integration (the sort favoured in right-wing circles) which takes the family instead of the individual as the unit of assessment and gives less to married and unmarried couples than to single people. Too many people miss this distinction (including Christian Wolmar), yet the effects of the different integration and quasi-integration options are as different as chalk and cheese — as different, for instance, as universal child benefit and means-tested family credit.

In Manchester, where I come from, there are acres of derelict land where industries once flourished that were household names in my childhood. The council has 83 Labour members, 12 Liberal Democrats and 4 Conservatives. They could at least imitate Stockport and host a BI seminar!

The official unemployment rate for the city of Manchester is 9.9%, a figure which counts 16 or more hours a week as a full-time job, and excludes those not claiming benefit! In two wards of the leafy suburb of Wythenshawe, the corresponding unemployment rates are 14.5% and 18.3%, and the alienation is tangible. Elsewhere I have seen schools where deprivation makes the National Curriculum irrelevant, and where the few children who pay for school meals are seen as posh by the majority who get them free.

BI, for these people, is more than anything else, a bright ray of hope. Pray that it may shine on Walworth Road.

*Kevin Donnelly is BIRG's North-West representative*

#### References

1. *The Politics of Pensions*, Fowler, Sir N., in *Money Management*, February 1991, discussed in BIRG Bulletin No. 13, August 1991.
2. *Beyond the Welfare State*, Brittan, S., and Webb, S., Aberdeen University Press, 1990.
3. *The Independent*, 13 May, 1992.
4. For the arguments see *Basic Income and the Labour Market*, BIRG Discussion Paper No.1, Parker, H., (ed), BIRG 1991.
5. Quoted in *Proposals for a Guaranteed Minimum Income in Italy*, Mirabile, M.L., BIRG Bulletin No.10, 1989.

## Letters

*We welcome your letters, queries and comments, but please restrict them to one side of A4, and type them if possible.*

### From Steve Webb

*The following excerpt is from a letter to BIRG's Director:*

I don't think the Editor can be allowed to get away with the assertion that we have a *tax system that takes little or no account of ability to pay* (Bulletin No.15, page 2, line 7)! Social Trends 1992, Table 5.11 indicates that people earning £3,000-£5,000 pay an average 4% of their income in tax, people earning £15,000-£20,000 pay an average 16%, whilst people earning over £40,000 pay an average 30% — seems pretty progressive to me.

Best Wishes

Steve Webb

The Institute for Fiscal Studies, Ridgmount Street  
London WC1E 7AE

### The Editor replies:

The Table Steven Webb is talking about refers only to income tax, which is relatively progressive, though considerably less so than it used to be. The problem of tax beyond ability to pay results mainly from the Inland Revenue's growing reliance on taxes other than income tax, for instance VAT, local authority rates, community charge and National Insurance contributions. Had Steven Webb continued his perusal of Social Trends to include Table 5.16, he would have discovered that in 1988 the bottom fifth of the population paid 39.5% of their income in tax, compared with 34.8% by the top fifth.

The January 1992 edition of *Economic Trends* updated the above figures to 1989. They show an insignificant improvement. In 1989 the bottom fifth of the population paid 38.7% of their income in tax; the top fifth paid 34.6%.

#### Taxation as a % of gross household income, UK 1989

	Quintile groups of households				
	Bottom	2nd	3rd	4th	Top
	£	£	£	£	£
Gross income	4630	7770	13340	18990	30710
Direct taxes* and NI contribution	670	1220	2610	4010	6730
Indirect taxes	1120	1570	2460	3050	3890
Total tax	1790	2790	5070	7060	10620
Tax as % gross income	38.7	35.9	38.0	37.1	34.6

Source: *Economic Trends* No 459, Jan 92.

\* Including gross domestic rates/community charge.

We leave it to readers to judge whether or not the tax system portrayed in the table is one that takes due account of ability to pay.

# BIRG Bulletin Back Numbers

The first two editions of the BIRG Bulletin were in tabloid form. The following, in the current A4 style, are available from BIRG, 102 Pepys Road, London SE14 5SG. In addition to the main articles, there are details of relevant events at home and abroad, book lists, and book reviews.

## Bulletin No 3, Spring 1985:

- *VIEWPOINT: A new deal for all*, Keith Roberts
- *Costing Basic Incomes*, Hermione Parker
- *Going, going ... gone: the vanishing right of young people to supplementary benefit*, Douglas Smith

## Bulletin No 4, Autumn 1985:

- *Out of touch: The Fowler reforms of social security*, Robert Morley
- *The debate about costings*, Hermione Parker
- *Basic Income and young people*, BIRG Youth Group
- *Exploitation and Basic Incomes*, Bill Jordan
- *VIEWPOINT: A two-tier Basic Income and a national minimum wage*, Robin Smail

## Bulletin No 5, Spring 1986:

- *Social security, taxation and family financial arrangements*, Jan Pahl
- *Basic Incomes, some practical considerations*, Philip Vince
- *Public support for families with children: a study in British politics*, Sir John Walley
- *Fowler's reform of social security: facts and figures*, Hermione Parker
- *Cash and caring*, R.A.B. Leaper
- *VIEWPOINT: Realistic radicalism*, Malcolm Torry

## Bulletin No 6, Autumn 1986

(photocopies only available):

- *A Basic Income for youth*, Paul Lewis
- *Basic Incomes and elderly people*, BIRG Elderly Group
- *Safeguarding social security in the Netherlands*, Jos Dekkers
- *Poverty and Adequacy*, Anne Miller
- *Letter from Andrew Brown*
- *The case for a guaranteed income in France*, Bruno Couder
- *Childminding costs*, Sue Owen
- *Journey-to-work costs*, Martin J.H. Mogridge
- *VIEWPOINT: Service credits: a new currency*, Edgar Cahn

## Bulletin No 7, Spring 1988

- *What are Basic Incomes?* Bill Jordan
- *Are Basic Incomes feasible?* Hermione Parker
- *Alternatives to Basic Income*, Fran Bennett
- *The implications of BI for people with disabilities*, BIRG Disability Working Group
- *Removal of private pension tax reliefs: viewpoint from an actuary*, Geraldine Kaye
- *Mutual responsibility*, Malcolm Torry
- *VIEWPOINT: Towards an income and work guarantee*, Peter Ashby

## Bulletin No 8, Autumn 1988

- *Defining Basic Income*, Tony Walter
- *Administration of integrated tax/benefit systems*, Herminone Parker and Andrew Dilnot
- *Towards a BI democracy*, David Purdy
- *Analysis of a partial Basic Income*, Tony Atkinson and Holly Sutherland
- *A European guaranteed Basic Income System?* Nel van Dijk
- *VIEWPOINT: 'If any would not work, neither should he eat'*, James Robertson

## Bulletin No 9, Spring/Summer 1989

- *Existence income and activity income*, Henri Guitton
- *Can it happen?* Susan Raven talks to Frank Field MP, Archy Kirkwood MP and the Rt Hon David Howell MP
- *Denmark's Basic Pension*, Adam Trier
- *Basic Income in Ireland; the debate so far*, Rosheen Callender
- *Proposals for a Basic Income in the Republic of Ireland*, Chris O'Malley MEP
- *VIEWPOINT: A place at the board*, Kevin Donnelly

## Bulletin No 10, Autumn/Winter 1989

- *Topsy-turvy nationalisation*, James Meade
- *Breaking the poverty trap: a Basic Income*, Paddy Ashdown MP
- *Proposals for a guaranteed minimum income in Italy*, Maria Luisa Mirabile
- *Citizenship, Basic Income and democracy*, David Purdy
- *Disability: the independent living fund*, Pauline Thompson
- *Pensions, taxes and welfare*, T.A. Salter
- *VIEWPOINT: Basic Income: value or price?* Conall Boyle

## Bulletin No 11, July 1990

- *The Third Age*, Charles Handy
- *The Poverty Trap: poor people's accounts*, Bill Jordan with Simon James
- *Basic Income: alternative benefit or new paradigm*, Joop Roebroek and Eric Hoogenboom
- *Can it happen?* Susan Raven talks to Sally Greengross and Sue Slipman
- *Getting paid for doing nothing: plain justice or ignominy?* Philippe Van Parijs
- *Citizen's Income*, Philip Vince
- *VIEWPOINT: Basic Income and industrial development*, Victor Oubridge

## Bulletin No 12, February 1991

- *The Alaska Permanent Fund and dividend distribution programme*, J. Patrick O'Brien and Dennis O. Olsen
- *Terminology*, Hermione Parker
- *Basic Income as a lever for economic efficiency*, Ken Mayhew
- *How much is enough?* Jonathan Bradshaw
- *Towards a full BI*, Greetje Lubbi
- *Can a BI-type scheme be made affordable?* Steven Webb
- *Australia: arguments for Basic Income in a poor-law welfare state*, Peter Travers
- *VIEWPOINT: The rights of children — a justification of Basic Income, hitherto unremarked*, Maire Mullarney

## Bulletin No 13, August 1991

- *Solidarity*, Mark Boeuf
- *Basic Income in the new Europe*, James Meade
- *Child Benefit, Child Tax Allowances and Basic Incomes*, Hermione Parker and Holly Sutherland
- *Can it Happen? Susan Raven talks to Sir Ralf Dahrendorf*
- *Income Distribution in Czechoslovakia*, Jiri Vecernik
- *Basic Income, Democracy and the Labour Market*, Georg Vobruba
- *VIEWPOINT: Basic Income: An Inner City Perspective*, Keith Argyle

## Bulletin No 14 February 1992

- *What the politicians say*, Michael Meacher and Paddy Ashdown
- *Communicating Basic Income*, David Smith
- *The jobs dilemma: ecological versus economic issues*, Sylke Nissen
- *Modest-but-adequate food budgets*, Michael Nelson and Anne-Marie Mayer.
- *The two Williams*, Malcolm Torry
- *Freeing up the labour market?* Jean-Yves Duclos
- *VIEWPOINT: Action for the unemployed*, Phillip Riley

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The views expressed in BIRG Bulletins are those of the authors, not of BIRG.



## **BIRG forthcoming events 1992**

### **BIRG NORTH WEST**

Thursday 22nd — Saturday 24th October, special three-day event, including a Youth Night on the Friday; mostly at Manchester Wythenshawe Friends Meeting House; for further details, please contact Kevin Donnelly, 20 Nan Nook Road, Manchester M23 9BZ (telephone 061-998-4791)

## **BIRG forthcoming events 1992**

**FOURTH INTERNATIONAL CONFERENCE OF BIEN**  
**Paris, Friday 18th September, 9.00am-5.00pm**  
**and Saturday 19th September, 9.15am-6.00pm**  
**With simultaneous French-English translations**

*Beyond the RMI and the welfare state*  
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